

netjoy⁺

NETJOY HOLDINGS LIMITED
云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2131

GLOBAL OFFERING

*Sole Sponsor, Sole Global Coordinator,
Joint Bookrunner and Joint Lead Manager*



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

netjoy⁺

NETJOY HOLDINGS LIMITED

云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	200,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	20,000,000 Shares (subject to reallocation)
Number of International Offer Shares	:	180,000,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$7.08 per Offer Share (payable in full on application in Hong Kong dollars plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal Value	:	US\$0.00005 per Share
Stock Code	:	2131

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



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

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

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Thursday, December 10, 2020 and, in any event, not later than Friday, December 11, 2020. The Offer Price will not be more than HK\$7.08 per Offer Share and is expected to be not less than HK\$5.56 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, maximum Offer Price of HK\$7.08 per Offer Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$7.08 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range stated 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, we 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 published notices of the reduction on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our Company at www.netjoy.com. See "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for more details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

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 are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting."

December 7, 2020

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through one of the below ways ⁽²⁾ (1) the IPO App , which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at <u>www.hkeipo.hk/IPOApp</u> or <u>www.tricorglobal.com/IPOApp</u> (2) the designated website <u>www.hkeipo.hk</u> ⁽²⁾	11:30 a.m. on Thursday, December 10, 2020
Application lists open ⁽³⁾	11:45 a.m. on Thursday, December 10, 2020
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Thursday, December 10, 2020
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, December 10, 2020
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, December 10, 2020
Application lists close ⁽³⁾	12:00 noon on Thursday, December 10, 2020
Expected Price Determination Date ⁽⁵⁾	Thursday, December 10, 2020
Announcement of:	
<ul style="list-style-type: none">• the Offer Price;• the level of indication of interest in the International Offering;• the level of applications in the Hong Kong Public Offering; and• the basis of allocation of the Hong Kong Offer Shares	
to be published on the websites of the Stock Exchange at <u>www.hkexnews.hk</u> and of our Company at <u>www.netjoy.com</u> on or before ⁽¹⁰⁾	Wednesday, December 16, 2020
Results of allocations in the Hong Kong Public Offering (including successful applicants’ identification document numbers, where appropriate) to be available through a variety of channels (please refer to the section headed “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus) ⁽¹⁰⁾	Wednesday, December 16, 2020

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering
to be available at “IPO Results” function in the **IPO App** or at
www.tricor.com.hk/ipo/result (or **www.hkeipo.hk/IPOResult**)
with a “search by ID” or Business Registration Number function⁽¹⁰⁾ Wednesday,
December 16, 2020

Dispatch/collection of refund cheques or **HK eIPO White Form**
e-Auto Refund payment instructions/refund cheques in respect
of wholly or partially unsuccessful applications and
wholly or partially successful applications if the final
Offer Price is less than the price payable an application
(if applicable) on or before^{(8), (9) & (10)} Wednesday,
December 16, 2020

Dispatch/collection of Share certificates or deposit of
Share certificates into CCASS in respect of wholly or
partially successful applications on or before^{(6), (7) & (10)} Wednesday,
December 16, 2020

Dealings in the Shares on the Stock Exchange
expected to commence at 9:00 a.m. on⁽¹⁰⁾ Thursday,
December 17, 2020

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or 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 and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 10, 2020, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Thursday, December 10, 2020, the dates mentioned above may be affected. We will make an announcement in such event.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, December 10, 2020 and, in any event, unless otherwise announced, not later than Friday, December 11, 2020. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company by Friday, December 11, 2020, unless otherwise announced, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, December 16, 2020, but will only 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) the right of termination set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of the Share certificates and before they become valid do so entirely at their own risk.

EXPECTED TIMETABLE⁽¹⁾

- (7) Applicants who apply on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms may collect refund cheques and (where applicable) Share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong on Wednesday, December 16, 2020. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

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

Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Hong Kong Offer Shares, the Share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

- (8) Uncollected Share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" in this prospectus.
- (9) e-Auto Refund payment instructions and refund cheques will be made/issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price per Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applications who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

- (10) In case a typhoon warning signal number 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Monday, December 7, 2020 to Thursday, December 17, 2020, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

For details of the structure of the Global Offering, including its conditions, you should refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. 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. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus and the 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 made in this prospectus must not be relied on by you as having been authorized by us or any of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering. Information contained on the website at www.netjoy.com does not form part of this prospectus.

	<u>Page</u>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	25
Glossary of Technical Terms	41
Forward-Looking Statements	46
Risk Factors	47
Waivers from Strict Compliance with the Listing Rules	80
Information about this Prospectus and the Global Offering	83
Directors and Parties Involved in the Global Offering	86
Corporate Information	91
Industry Overview	93
Regulatory Environment	108
History, Reorganization and Corporate Structure	126
Business	146
Contractual Arrangements	198
Connected Transactions	221
Relationship with Our Controlling Shareholders	228
Directors and Senior Management	234

CONTENTS

	<u>Page</u>
Substantial Shareholders	249
Share Capital	253
Financial Information	256
Cornerstone Investors	312
Future Plans and Use of Proceeds	318
Underwriting	322
Structure and Conditions of the Global Offering	332
How to Apply for Hong Kong Offer Shares	342
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of Our Company and Cayman Companies Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

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

OVERVIEW

We are a leading short video marketing solutions provider and an online content services provider focusing on pan-entertainment in China. According to iResearch, the short video marketing market is an important component and driver of the overall online marketing market, with a market share of 15.9% in terms of revenue in 2019. We contributed to approximately 0.5% of the total revenue of the overall online marketing market in China in 2019. According to iResearch, as of June 30, 2020, there were in aggregate approximately 40,000 online marketing solutions providers available in the short video marketing market in the PRC. According to iResearch, we were the third largest online marketing solutions provider in China in 2019 in terms of gross billing generated from short video advertisements, with a market share of 3.4%. We also operate a pan-entertainment-oriented content platform through our *Huabian* website and its mobile terminal (collectively “**Huabian Platform**”), presenting attention catching pan-entertainment articles and photos to internet users. In addition, we produce quality and appealing content for audiences and advertisers, such as short videos, movie and television stars interview programs, and entertainment news programs. We act as a middleman connecting advertising customers and media partners. During the Track Record Period, Supplier A was our single largest supplier. We are one of the 100 to 250 online marketing solutions providers that had contractual relationship with Supplier A in 2019. Our gross billing generated through Supplier A’s content distribution platforms accounted for approximately 37.7%, 85.2%, 87.1% and 84.8% of our total gross billing in 2017, 2018 and 2019 and the six months ended June 30, 2020. We enter into annual framework agreements with Supplier A, which are subject to annual renewal. We have successfully renewed such agreements with Supplier A on similar key terms and conditions since 2017. We deliver our online marketing solutions primarily through top online publishers in China, such as Douyin (抖音), Huoshan (抖音火山版), Xigua Video (西瓜視頻) and Kuaishou (快手).

We generate revenue primarily from providing (i) online marketing solutions to advertisers and advertising agencies, including user traffic acquisition, ad creatives production, and ad performance optimization; and (ii) advertising spaces on our *Huabian* Platform to ad networks and advertisers.

- Under our online marketing solutions business, we charge our advertising customers primarily measured by a mix of oCPM (optimized cost per mille), oCPC (optimized cost per click) and CPC (cost per click), while we acquire user traffic from our media partners to place our advertisements online and pay traffic acquisition costs based primarily on the same mechanism. Media partners may grant to us rebates from time to time primarily calculated based on our gross spending. Especially, when we provide traffic acquisition services only, our revenue is generated from earning rebates from media partners. We may also grant rebates to our advertising customers from time to time to incentivize them to continue to use our solutions. See “Business — Our Online Marketing Solutions Business — Pricing Models.”
- Under our pan-entertainment content services business, we charge ad networks primarily based on CPM (cost per mille), and charge advertisers primarily based on CPT (cost per time) or CPA (cost per action), for the advertising spaces we provide on our *Huabian* Platform. Since January 2020, we also began to generate revenue from providing product placement opportunities in our short video KOL programs for advertisers to market their products or services.

SUMMARY

We mainly operate in the short video marketing market connecting advertising customers and media partners as an online marketing solutions provider. The short video marketing market is an important component and driver of the overall online marketing market, due to the evolving advanced technologies, and easy access to and attention catching content of short videos. The market share of short video marketing, as a percentage of the overall revenue of online marketing market, increased from 0.1% in 2015 to 15.9% in 2019, and is expected to further increase from 21.7% in 2020 to 34.5% in 2024. The short video marketing market in the PRC is dominated by few major online publishers, including short video platforms of Supplier A and Kuaishou. According to iResearch, it is uncommon and not economically efficient for leading short video platforms to transact with advertisers directly, as (i) compared to acquisition of traffic from leading online publishers, advertisers are in greater need of value-added services provided by online marketing solutions providers to achieve better marketing effectiveness; while online publishers generally do not offer such value-added services as they have to invest time and efforts to learn about advertisers' diverse and evolving marketing needs and closely monitor campaign performance to achieve desired results; and (ii) to monetize user traffic is more economically efficient than to provide value-added services and is currently the primary monetization method for online publishers. Therefore, online marketing solutions providers emerged in order to meet the diversified needs of both the advertisers and online publishers. According to iResearch, as of June 30, 2020, there were in aggregate approximately 40,000 online marketing solutions providers available in the short video marketing market in the PRC.

We have experienced rapid growth since 2017 benefiting from the rise of short videos. During the Track Record Period, our revenue increased significantly from RMB235.4 million in 2017 to RMB2,313.0 million in 2019, representing a CAGR of 213.5%. Our profit for the year increased from RMB33.0 million in 2017 to RMB72.9 million in 2019, representing a CAGR of 48.6%. Given the continually reduced mobile internet traffic costs per GB and the technological development of network infrastructure that collectively led to the speedy growth of short video audience base, we have strategically shifted our focus to online marketing solutions (in particular short video marketing) from which the revenue accounted for approximately 70.4%, 94.5%, 98.7% and 98.9%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. We believe that the commercialization and popularization of 5G will accelerate data transmission, further reduce mobile internet traffic costs per GB, and advance the technology development of short videos, such as AR and VR, which in turn will improve short video user experiences, diversify short video presentation formats, and enhance the appeal of short videos. According to iResearch, the size of short video content market is expected to further increase at a CAGR of 35.3% from RMB211.5 billion in 2020 to RMB709.5 billion in 2024. We believe that we have benefited and will continue to benefit from the rapid growth of the overall short video content market to achieve sustainable and profitable growth.

Launched in 2013, our online marketing solutions help our advertising customers acquire high quality traffic from top online publishers, produce appealing and attention catching ad creatives to attract target consumers, and optimize ad campaign performance automatically, intelligently and in real-time leveraging our big data analytics and AI capabilities, to improve the marketing efficiency for our advertisers.

Launched in 2012, our self-operated content platform, *Huabian* Platform, aggregates pan-entertainment articles and photos from professional media, talent agencies and self-media accounts, and presents real-time customized and popular feeds to visitors. We also initiated two short video KOL programs featuring television and movie star interviews and entertainment news to expand our pan-entertainment coverage.

SUMMARY

Our content production capability is one of our core competencies that differentiate us from our competitors. Our in-house content production team, consisting primarily of scriptwriters, directors and production crew, is able to produce customized, appealing and attention catching ad creatives, with the capacity to produce approximately 4,400 pieces of short videos each month. Leveraging our strong content production capability, we have established a cross-media multi-channel full service content platform, covering content production, exchange and distribution that connects directly the advertisers with internet users, content providers and content distribution channels, to (i) produce original content, particularly short videos, for advertisers; (ii) facilitate content exchange between the advertisers and content providers; and (iii) distribute content to internet users through online publishers.

We have maintained well-established relationships with various top online publishers, including the six largest short video platforms in China, such as Douyin, Kuaishou, Xigua Video, Huoshan and Tencent Weishi (騰訊微視), as well as other leading content distribution platforms, including Xiaohongshu (小紅書) and Qutoutiao (趣頭條). In particular, we have a stable and cooperative partnership with Supplier A's major content distribution platforms, including Douyin, Xigua Video, Huoshan and Toutiao. We are Supplier A's early collaborator and began to acquire user traffic from its content distribution platforms in 2016. We are also one of the early online marketing solutions providers to offer short video marketing solutions through Douyin after it was launched in September 2016.

We serve a fast-growing and diversified advertiser base operating in a wide array of industry verticals, including online gaming, financial services, e-commerce, internet services, advertising and culture & media. Our advertisers that are our direct customers for both online marketing solutions business and pan-entertainment content services business increased from 558 in 2017 to 669 in 2019, representing a CAGR of 9.5%, while the average spending per direct advertiser increased from RMB0.5 million in 2017 to RMB3.4 million in 2019, representing a CAGR of 160.8%.

As a technology-driven company, we have developed our proprietary DMP to support internal advertising campaign management system as well as content management and distribution system through big data analytics and AI technologies. Our proprietary DMP collects and stores a wide variety of raw data on a real-time basis from the online publishers, including ad performance data and behavioral data, to generate accurate user profiling modules and continuously monitor and analyze such data to optimize ad campaign performance to acquire, convert and retain consumers in a more effective and efficient way.

OUR BUSINESS MODEL

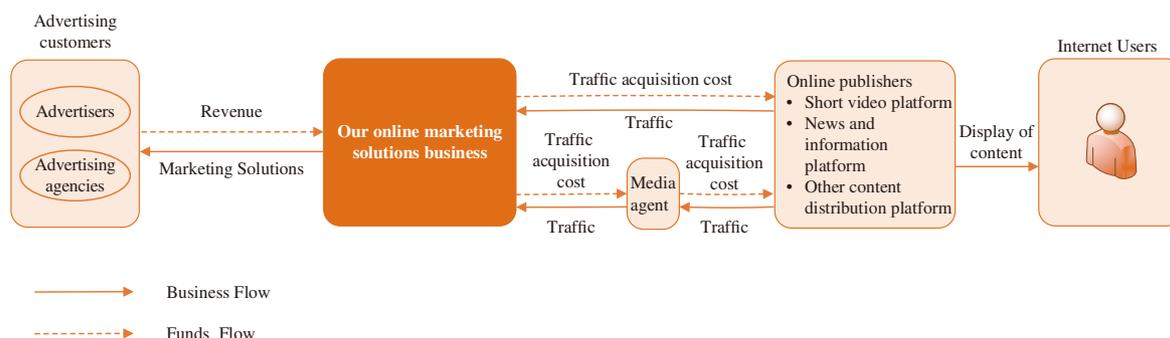
During the Track Record Period, we generated our revenue primarily from providing (i) online marketing solutions to advertisers and advertising agencies; and (ii) advertising spaces on our self-operated *Huabian* Platform to ad networks and advertisers.

Online Marketing Solutions Business

Empowered by our proprietary DMP, we provide one-stop online marketing solutions, consisting of user traffic acquisition, ad creatives production, and ad campaign performance optimization, to advertisers directly or through advertising agencies by planning, launching and managing advertising campaigns to help advertisers acquire, convert and retain consumers and achieve their marketing goals in an effective and efficient way. We primarily deliver short video or text and image creatives in the format of native in-feed advertisements through top online publishers. We have an in-house content production team with the ability to produce customized, appealing and attention catching ad creatives. We charge our advertising customers, comprising advertisers and advertising agencies, for our one-stop online marketing solutions primarily based on a mix of oCPM, oCPC and CPC, while pay traffic acquisition costs to media partners, comprising online publishers and media agents, primarily based on the same

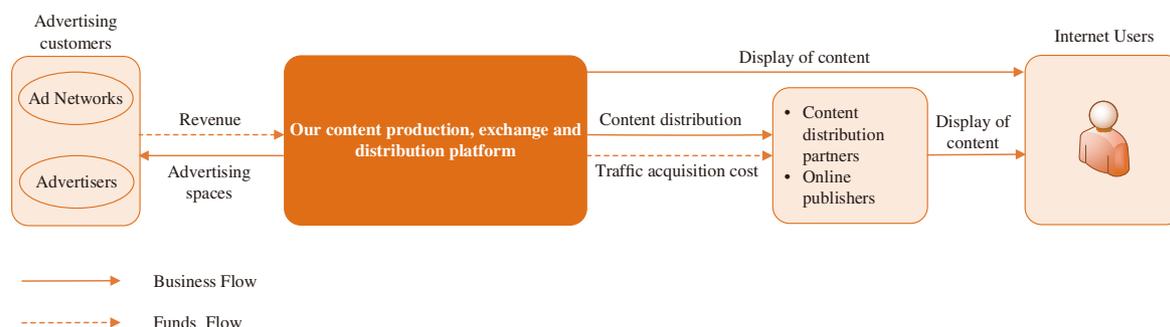
SUMMARY

mechanism. The following chart sets forth the business and revenue model of our online marketing solutions business:



Pan-entertainment Content Services Business

We operate a pan entertainment-oriented content platform through our *Huabian* website (www.huabian.com) and its mobile terminal (collectively “*Huabian Platform*”). *Huabian Platform* aggregates pan-entertainment articles and photos from professional media, talent agencies and self-media accounts, and presents real-time customized feeds to visitors. We provide advertising spaces on our *Huabian Platform* to third-party ad networks to display their advertisements, and charge them primarily based on CPM for such advertising spaces. In addition, we also provide advertising spaces on our *Huabian Platform* to advertisers primarily in exchange for a CPT- or CPA-based service fee. We acquire user traffic from our content distribution partners to market our content and generate traffic to our *Huabian Platform*, and pay them traffic acquisition costs primarily based on CPC. The following chart sets forth the business and revenue model of our pan-entertainment content services business:



In 2019, we initiated two short video KOL programs featuring television and movie star interviews and entertainment news, with a view to (i) leveraging our short video production capability to expand our pan-entertainment coverage and (ii) incubating our own KOL brands which will enable us to capture monetization opportunities in the future. One of the two short video KOL programs, *Idol Answers* (偶像請回答), began to generate revenue from providing product placement opportunities for advertisers to market their products or services since January 2020.

Our Content Production Capability

Our content production capability is one of our core competencies that make us stand out in the industry in which we operate. We have an in-house content production team enabling us to produce customized, appealing and attention catching ad creatives for both our online marketing solutions business and pan-entertainment content services business. Our in-house content production team consisted of 86 full-time employees as of June 30, 2020, including scriptwriters, directors, editors and post-production crew, with the capacity to produce approximately 4,400 pieces of short videos each month.

SUMMARY

In addition to our original ad creatives, our in-house content production team produces other original short video content. For example, we have produced a short video KOL program featuring interviews with movie and television stars, *Idol Answers*, and released the videos on approximately 40 online publishers, including iQIYI (愛奇藝). As of the Latest Practicable Date, *Idol Answers* had accumulated more than 1 million followers on its *Weibo* public account. As part of our pan-entertainment coverage, we also have another KOL brand, *Hippie Entertainment* (嬉游大娛記), featuring the latest and breaking celebrity entertainment news, which is distributed across approximately 27 online publishers, such as Tencent Video (騰訊視頻) and Mango TV (芒果TV). According to CAASDATA (卡思數據), a leading PRC video data collection and analysis platform, both *Idol Answers* and *Hippie Entertainment* ranked top 50 among all PGCs in the PRC. These two KOL programs had accumulated video views of more than 600 million as of the Latest Practicable Date.

KEY OPERATING DATA

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

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
Online marketing solutions business					
Impressions (short videos) (millions) ⁽¹⁾⁽³⁾	7,522.9	79,880.2	179,743.3	73,624.4	80,750.1
Click-throughs (short videos) (millions) ⁽²⁾⁽³⁾	145.1	1,312.6	4,493.6	1,627.1	1,643.0
Click-through Rate (short videos) (%) ⁽⁴⁾	1.9	1.6	2.5	2.2	2.0
Likes (short videos) (thousands) ⁽⁵⁾	5,964.6	70,720.6	362,362.5	119,050.7	235,305.8
Pan-entertainment content services business					
PVs (millions) ⁽⁶⁾⁽⁹⁾	2,624.3	2,341.3	1,182.1	690.9	171.0
Average DPVs (thousands) ⁽⁶⁾⁽⁹⁾	7,190.0	6,414.6	3,238.7	3,816.9	939.7
Average DAUs (thousands) ⁽⁷⁾⁽⁹⁾	3,807.6	4,672.3	1,755.1	1,912.5	675.3
Average MAUs (thousands) ⁽⁸⁾⁽⁹⁾	115,815.3	142,117.1	53,385.3	57,694.9	20,484.9
Reposts (thousands) ⁽¹⁰⁾	571.0	478.2	206.6	134.4	27.8

Notes:

- (1) Impressions are the total number of page views of our advertisements for the periods indicated. CPM and oCPM are pricing models on the basis of each one thousand impressions of the advertisement.
- (2) Click-throughs are the total number of clicks on the advertisements placed by us for the periods indicated. CPC and oCPC are pricing models on the basis of each click-through of the advertisement.
- (3) We charge advertising customers for our online marketing solutions primarily based on oCPM, oCPC or CPC. Our revenue derived from online marketing solutions business is positively correlated to the total number of impressions and click-throughs.
- (4) Click-through rate is calculated as the total number of click-throughs divided by the total number of impressions.
- (5) Likes are given by video viewers when they enjoy our short video creatives. Likes indicate the popularity of our short video creatives, including short video advertisements.
- (6) PVs, or page views, refer to the total number of visits to our *Huabian* Platform during a given period. Average DPVs for a particular year/period is the average of DPVs on each day during that year/period.
- (7) DAUs, or daily active users, refer to the number of unique devices that accessed our *Huabian* Platform on a given day. Multiple accesses from the same device are only counted as one DAU. Average DAUs for a particular year/period is the average of DAUs on each day during that year/period.
- (8) MAUs, or monthly active users, refer to the number of unique devices that accessed our *Huabian* Platform in a given month. Multiple accesses from the same device are only counted as one MAU. Average MAUs for a particular year/period is the average of MAUs on each month during that year/period.

SUMMARY

- (9) We charge advertising customers for our pan-entertainment content services primarily based on CPM, CPT and CPA. While the number of PVs or DAUs/MAUs does not directly translate into revenue to be collected under the CPM, CPA and CPT pricing models, they are commonly-used metrics that illustrate the degree of exposure of advertisements. Generally speaking, the more exposure (i.e. the number of PVs or DAUs/MAUs) the advertisements obtain, the more impressions, downloads, installations or other agreed upon actions the advertisements are likely to achieve. Similarly, when the number of PVs or DAUs/MAUs increases, the unit price of advertising spaces on our *Huabian* Platform in a given duration is likely to increase accordingly.
- (10) Reposts refer to the sharing of the content on our *Huabian* Platform by internet users.

During the Track Record Period, the key operating data of our *Huabian* Platform decreased gradually, primarily as internet users became keen to watch short videos as opposed to browsing the websites to read text and image, in line with the market trends, and therefore we strategically shifted our focus to online marketing solutions.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

During the Track Record Period, our customers primarily include (i) advertisers and advertising agencies for our online marketing solutions; and (ii) third-party ad networks and advertisers for advertising spaces on our *Huabian* Platform. As of the Latest Practicable Date, we had served approximately 1,700 accumulated key account advertisers. We have maintained business relationships with our five largest customers during the Track Record Period of one to six and a half years as of the Latest Practicable Date. We generally grant to our customers credit terms of 30 to 90 days and settle with them by wire transfer. Sometimes we also require certain advertising customers to prepay for our online marketing solutions.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our five largest customers accounted for approximately 37.2%, 40.1%, 43.3% and 33.1% of our total revenue, respectively, and revenue from our largest customer accounted for approximately 15.8%, 18.6%, 28.4% and 9.2% of our total revenue during the same periods, respectively. Our five largest customers comprise ad networks, e-commerce companies, financial services companies and online gaming developers. Except Shanghai Buwei, all of our five largest customers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any Shareholder who owns more than 5% of our issued share capital had any interest in any of our customers during the Track Record Period. In addition, to the best of the knowledge of our Directors, except Shanghai Buwei, none of us, our Controlling Shareholders, directors and senior management of the Company and its subsidiaries, and any of their respective associates has any other past or present relationships, such as business, employment, family or financing, with our five largest customers (save for being our customers) during the Track Record Period. See “Business — Top Customers and Suppliers — Top Customers” for more details.

Our Suppliers

During the Track Record Period, our suppliers primarily include (i) media partners, consisting of online publishers (namely, owners of content distribution platforms) and media agents which engage with us on behalf of online publishers, for traffic acquisition; and (ii) third-party content distribution partners which market our content and redirect traffic to our *Huabian* Platform. We have maintained business relationships with our five largest suppliers during the Track Record Period of one to five years as of the Latest Practicable Date. Our suppliers generally settle with us by wire transfer and grant to us credit terms within 90 days. Certain suppliers also require for prepayment for acquiring their traffic.

SUMMARY

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, cost of sales attributable to our five largest suppliers collectively accounted for approximately 63.5%, 92.6%, 96.1% and 96.1% of our total cost of sales, respectively, and cost of sales attributable to our largest supplier, Supplier A, accounted for approximately 31.9%, 84.3%, 85.7% and 76.3% of our total costs of sales during the same periods, respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gross billing generated through Supplier A's content distribution platforms accounted for approximately 37.7%, 85.2%, 87.1% and 84.8%, respectively, of our total gross billing for the same periods. We also rely on Supplier A's content distribution platforms to collect ad performance data to analyze and develop our own data graphs to better optimize our campaign performance. We enter into annual framework agreements with Supplier A which are subject to annual renewal, and sign an advertising campaign order with it for each advertising campaign. Our five largest suppliers during the Track Record Period comprised online publishers and media agents. All of our five largest suppliers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any Shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. In addition, to the best of the knowledge of our Directors, none of us, our Controlling Shareholders, directors and senior management of the Company and its subsidiaries, and any of their respective associates has any other past or present relationships, such as business, employment, family or financing, with our five largest suppliers (save for being our suppliers) during the Track Record Period. See "Business — Top Customers and Suppliers — Top Suppliers" for more details.

PRICING MODELS

For our online marketing solutions, we charge advertisers or advertising agencies who represent their respective advertisers primarily based on oCPM (optimized cost per mille), oCPC (optimized cost per click) or CPC. We also charge our advertising customers based on various other pricing models, including CPA, CPT and CPM, as specified in the relevant advertising contracts. From time to time, we grant rebates to certain major advertising customers in the form of traffic volume to incentivize and encourage them to use our solutions. Such rebates are generally calculated based on their gross spending of our solutions and are recorded as deduction of revenue.

Generally, we charge advertising customers based on the same pricing model as media partners charge us. We pay our media partners for traffic acquisition primarily based on a mix of oCPM, oCPC and CPC. Media partners may grant to us rebates (i) in the form of prepayments for future traffic acquisition; (ii) to net off the trade payables we owed to them; or (iii) in cash, mainly calculated based on our gross spending of traffic acquisition costs. We record such rebates as reduction of cost of sales under gross basis, or revenue under net basis.

For our pan-entertainment content services, we charge ad networks primarily based on CPM, and charge advertisers primarily based on CPT or CPA, for the advertising spaces on our *Huabian* Platform that we own and provide.

For further details, see "Business — Our Online Marketing Solutions Business — Pricing Models" and "Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition."

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- A leading online marketing solutions provider in the short video marketing market in China
- One of Supplier A's major partners for short video marketing solutions
- A cross-media multi-channel full service content platform covering content production, exchange and distribution

SUMMARY

- Robust big data analytics and AI capabilities
- Diversified online publisher base and fast-growing advertiser base
- Visionary and experienced senior management team

OUR STRATEGIES

We plan to implement the following strategies:

- Strengthen and deepen our collaboration with top online publishers and diversify our media partner base
- Expand our advertising customer base and explore opportunities in specific industry verticals
- Continue to unleash the monetization potential of our content production, exchange and distribution platform that offers full cycle services
- Enhance our big data analytics and AI capabilities
- Selectively pursue strategic collaboration, investment and acquisition opportunities

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our Offer Shares. Some of the major risks that we face include:

- We acted as a middleman between advertising customers and Supplier A and relied on Supplier A to acquire user traffic for our advertisers during the Track Record Period. If we fail to maintain our business relationship with Supplier A or if Supplier A loses its leading market position or popularity, our business, financial condition and results of operations could be materially and adversely affected.
- If we fail to retain the existing advertising customers, deepen or expand our relationships with the advertising customers, or attract new advertising customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.
- If we fail to retain the existing media partners, deepen or expand our relationships with the media partners, or attract new media partners, our business, financial condition, results of operations and prospects may be materially and adversely affected.
- If online publishers transact with advertisers directly, we may be exposed to the risk of disintermediation.
- If we fail to acquire new visitors or retain existing visitors for our *Huabian* Platform, or if visitor engagement on our platform declines, our business, results of operations and financial condition may be materially and adversely affected.
- Increased governmental regulation of content platforms may subject us to penalties and other administrative actions.
- If the online marketing industry fails to continuously develop and grow, or if the online marketing industry develops or grows at a pace slower than expected, our profitability and prospects may be materially and adversely affected.

SUMMARY

- Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.
- We may face certain risks in collecting our trade receivables, and the failure to collect could have a material adverse effect on our business, financial condition and results of operations.
- We had recorded negative cash flow from operating activities during the Track Record Period and may be subject to liquidity risks, which could constrain our operational flexibility and materially and adversely affect our business, financial condition and results of operations.

LISTING ON AND DELISTING FROM THE NEEQ

In order to improve the brand awareness and corporate governance of Netjoy Network as well as to expand its finance resources, the shares of Netjoy Network became listed on the NEEQ on April 21, 2016. After nearly three years of listing on the NEEQ, we delisted the shares of Netjoy Network from the NEEQ on April 19, 2019 after considering our future business strategy and the necessity to improve our financing efficiency as well as the desire to explore for a listing on other stock exchanges including the Stock Exchange. For further details, see “History, Reorganization and Corporate Structure.”

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin), through their respective Offshore Holding Companies (i.e. Derun Investments, Quantum Computing and CareFree Planning) and the Direct Holding SPVs of their respective Family Trusts (i.e. Wang SPV, Xu SPV and Qin SPV), collectively as the AIC Parties, were entitled to exercise the voting rights attaching to approximately 40.25% of the total issued share capital of our Company, and are regarded as a group of Controlling Shareholders of our Company.

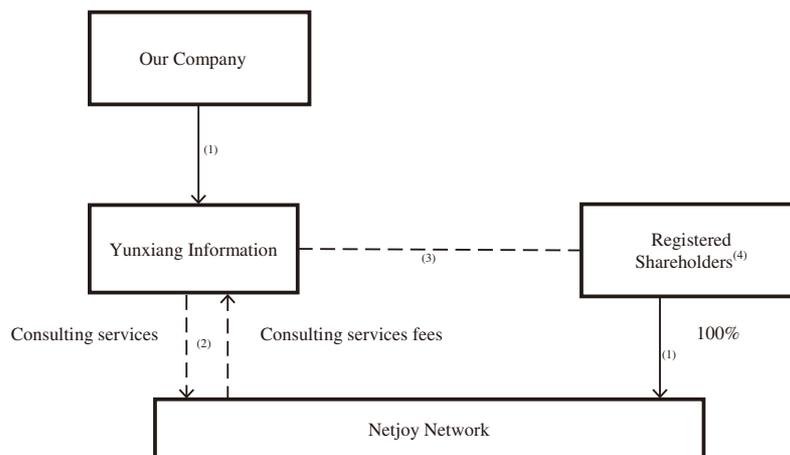
Immediately upon completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), the AIC Parties will collectively be entitled to exercise the voting rights attaching to approximately 30.19% of the enlarged total issued share capital of our Company and will continue to be a group of Controlling Shareholders of our Company after the Listing. For further details, see “Relationship with our Controlling Shareholders — Our Controlling Shareholders”.

CONTRACTUAL ARRANGEMENTS

Pursuant to the relevant PRC laws and regulations, the operations of our Consolidated Affiliated Entity are subject to various foreign ownership restrictions or prohibitions. In particular, as confirmed by the relevant competent authorities, (i) our production of short videos and internet videos falls within the “prohibited” category, in which foreign investors are not allowed to hold any equity interest, and (ii) our operation of *Huabian* Platform requires the ICP License, which cannot be held by a Sino-foreign equity joint venture to be set up by our Company or through acquisition by our Company of any equity interest in Netjoy Network, details of which are set out in “Contractual Arrangements — Overview.” Therefore, it was not viable for our Company to hold our Consolidated Affiliated Entity directly through equity ownership. On March 30, 2020, we, through Yunxiang Information, entered into the Contractual Arrangements with the Registered Shareholders and the Consolidated Affiliated Entity, pursuant to which, Yunxiang Information has acquired effective control over the financial and operational policies of Netjoy Network and has become entitled to all the economic benefits derived from its operations. The

SUMMARY

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



Notes:

- (1) “—>” denotes direct legal and beneficial ownership in the equity interests.
- (2) “- ->” denotes contractual relationship through the Contractual Arrangements.
- (3) “- -” denotes the control by Yunxiang Information over the Registered Shareholders and our Consolidated Affiliated Entity through (i) powers of attorney to exercise all shareholders’ rights in Netjoy Network, (ii) exclusive options to acquire all or part of the equity interests in Netjoy Network and (iii) equity pledges over the equity interests in Netjoy Network.
- (4) As of the Latest Practicable Date, Netjoy Network was held as to 100% by the Registered Shareholders, details of which are set out in “Contractual Arrangements.”

PRE-IPO INVESTMENT

To consummate the Reorganization, Mr. Ku was introduced to our Group as the Pre-IPO Investor in 2019. As of the Latest Practicable Date, Mr. Ku held approximately 0.05% of the total issued share capital of our Company. Upon completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), Mr. Ku will hold approximately 0.03% of the enlarged issued share capital of our Company. The Shares held by Mr. Ku are subject to a lock-up period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date. See “History, Reorganization and Corporate Structure — Pre-IPO Investment” for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Report set out in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountants’ Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in “Financial Information.”

SUMMARY

Summary of Consolidated Statements of Profit or Loss

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(unaudited)	
Revenue	235,425	1,186,172	2,313,036	1,286,522	796,965
Cost of sales	(185,720)	(1,077,913)	(2,153,747)	(1,217,549)	(712,584)
Gross profit	49,705	108,259	159,289	68,973	84,381
Other income and gains	359	1,123	15,600	5,518	11,823
Selling and distribution expenses	(1,301)	(5,910)	(7,793)	(2,781)	(2,274)
Administrative expenses	(5,658)	(13,525)	(41,561)	(13,799)	(21,656)
Impairment losses on financial assets, net ..	(1,899)	(3,316)	(29,630)	(12,070)	(4,000)
Research and Development expenses	(5,522)	(6,936)	(9,923)	(5,416)	(4,370)
Other expenses	-	(2,070)	(750)	-	-
Finance costs	(341)	(2,712)	(6,524)	(1,302)	(3,163)
Share of profits and losses of associates ..	42	(304)	381	(218)	21
Profit before tax	35,385	74,609	79,089	38,905	60,762
Income tax expense	(2,387)	(5,126)	(6,155)	(3,357)	(3,686)
Profit for the year/period	32,998	69,483	72,934	35,548	57,076

Revenue

Revenue by business segment

The following table sets forth a breakdown of our revenue by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
							(unaudited)			
Online marketing solutions business										
Gross method . . .	158,548	67.3	1,093,601	92.2	2,243,548	97.0	1,252,010	97.3	760,114	95.4
Net method	7,291	3.1	27,826	2.3	38,756	1.7	15,299	1.2	28,215	3.5
Sub-total	165,839	70.4	1,121,427	94.5	2,282,304	98.7	1,267,309	98.5	788,329	98.9
Pan-entertainment content services business										
Huabian Platform .	69,586	29.6	64,745	5.5	30,732	1.3	19,213	1.5	1,966	0.3
Idol Answers	-	-	-	-	-	-	-	-	6,670	0.8
Sub-total	69,586	29.6	64,745	5.5	30,732	1.3	19,213	1.5	8,636	1.1
Total	235,425	100.0	1,186,172	100.0	2,313,036	100.0	1,286,522	100.0	796,965	100.0

SUMMARY

For revenue from our online marketing solutions business, we utilize a combination of gross method and net method in recognizing revenue. See “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition” and Notes 2 and 3 in “Appendix I — Accountants’ Report” to this prospectus for details. The following table sets forth certain key features of our business under gross method and net method:

	Gross method	Net method
Services	<p>Online marketing solutions: one stop all-in-one service, including traffic acquisition, content production, raw data analysis and advertising campaign optimization;</p> <p>Pan-entertainment content services, including (i) provision of advertising spaces on <i>Huabian</i> Platform and (ii) product placement opportunities in short video KOL programs</p>	<p>Online marketing solutions: Advertisement distribution service, (i.e. traffic acquisition service)</p>
Key roles and responsibilities	<p>We act as a principal and bear the risk of loss and the responsibility of the advertising content we produce or place</p> <p>For all-in-one service, upon receiving advertising campaign orders from advertising customers, we produce ad creatives, set campaign parameters, bid for ad inventories, acquire user traffic from media partners and deliver finalized advertisements to target audiences. Subsequently, we monitor, collect and analyze ad performance data with the help of our DMP and optimize campaign performance leveraging our big data analytics. See “Business — Our Online Marketing Solutions Business — Business Process of Our Online Marketing Solutions”</p> <p>For pan-entertainment content services, we are the owner of the advertising spaces on our <i>Huabian</i> Platform and in our short video KOL programs. We either distribute the advertisements sourced from third party ad networks through our <i>Huabian</i> Platform, or produce ad creatives and distribute such advertisements for advertisers through our <i>Huabian</i> Platform or in our short video KOL programs</p>	<p>We act as an agent and provide intermediary service only</p> <p>Upon receiving advertising campaign orders from advertising customers, we set campaign parameters, bid for ad inventories and acquire user traffic on behalf of advertising customers from media partners</p>

SUMMARY

	<u>Gross method</u>	<u>Net method</u>
Rebates earned . . .	When we provide one-stop all-in-one service, we earn rebates from media partners from time to time calculated primarily based on the gross spending of our total traffic acquisition costs. Such rebates are recorded as reduction of cost of sales under gross method	When we provide traffic acquisition service only, we generate revenue from earning rebates from media partners calculated primarily based on the gross spending of our total traffic acquisition costs. Such rebates are recorded as revenue under net method
Payment schedule and obligations .	<p>For all-in-one service, we either require certain advertising customers to prepay for our one stop all-in-one service or grant them credit periods of 30 to 90 days. Advertising customers are generally obligated to settle with us within the credit periods by wire transfer</p> <p>For pan-entertainment content services, we generally grant credit periods of 30 to 90 days to advertising customers, who are obligated to settle with us within the credit periods by wire transfer</p>	We either require certain advertising customers to prepay for our advertisement distribution service or grant them credit periods of 30 to 90 days. Advertising customers are generally obligated to settle with us within the credit periods by wire transfer
Pricing mechanisms	<p>For all-in-one service, we charge the advertising customers primarily based on oCPM, oCPC or CPC, and recognize revenue at a point in time when specific action (click-throughs or display of one thousand impressions) is performed</p> <p>For pan-entertainment content services, we charge ad networks primarily based on CPM, and charge advertisers primarily based on CPA or CPT. Our revenue earned based on CPM or CPA is recognized at a point in time when specified action (such as display of one thousand impressions, download, installation or registration) is performed, while our revenue earned based on CPT is recognized on a pro rata basis over a specific period of time contractually agreed by our customers and us for placing the advertisement</p> <p>See “Business — Our Online Marketing Solutions Business — Pricing Models”</p>	<p>We charge our advertising customers mainly based on oCPM or oCPC</p> <p>See “Business — Our Online Marketing Solutions Business — Pricing Models”</p>

SUMMARY

Revenue from Our Online Marketing Solutions Business

Our revenue generated from online marketing solutions business increased from RMB165.8 million for the year ended December 31, 2017 to RMB1,121.4 million for the year ended December 31, 2018, primarily as we strategically shifted our business focus to online marketing solutions, in particular short video marketing, which grew rapidly in 2018, in line with the increasing demand of short videos and the rapid growth of short video marketing market. Our revenue generated from online marketing solutions business increased from RMB1,121.4 million for the year ended December 31, 2018 to RMB2,282.3 million for the year ended December 31, 2019, primarily due to the rapid growth of our online marketing solutions business. Our revenue generated from online marketing solutions business decreased from RMB1,267.3 million for the six months ended June 30, 2019 to RMB788.3 million for the six months ended June 30, 2020, primarily due to our loss of customer E, our largest customer in 2019, which was partially offset by our business expansion in e-commerce industry.

Customer E was our largest customer in 2018 and 2019. Our revenue generated from customer E amounted to RMB220.2 million and RMB657.1 million in 2018 and 2019, respectively, accounting for approximately 18.6% and 28.4% of our total revenue in the same years, respectively. Our gross profit generated from customer E amounted to RMB9.4 million and RMB18.6 million in 2018 and 2019, respectively, accounting for approximately 8.7% and 11.7% of our total gross profit in the same years, respectively. In addition, gross profit margin generated from customer E was 4.3% and 3.0% in 2018 and 2019, respectively, which was lower than our overall gross profit margin in 2018 and 2019. Therefore, the loss of customer E had an adverse impact on the scale of our business, however, our profitability was not adversely affected but improved as a result of our allocation of financial resources to more profitable advertising customers. To compensate the loss of customer E and maintain our sustainable growth, we have implemented several business development plans, including seeking for business opportunities in rapidly growing industry verticals, such as e-commerce, financial services and advertising, and recruiting additional sales and marketing staff to explore new advertisers. See “Future Plans and Use of Proceeds — Use of Proceeds.” Our success in business expansion in e-commerce, financial services and advertising industries has partially offset the impact of our loss of customer E, with revenue generated from these three industries increasing by RMB213.4 million from the six months ended June 30, 2019 to the six months ended June 30, 2020. In addition, in terms of gross billing, the loss of customer E with a decrease of RMB648.8 million in the six months ended June 30, 2019 was substantially offset by our business expansion in e-commerce, financial services and advertising industries with increases of RMB645.6 million in the six months ended June 30, 2020. In particular, gross billing generated from e-commerce advertisers increased by RMB331.6 million from the six months ended June 30, 2019 to the six months ended June 30, 2020. As a result, our gross billing decreased slightly by 6.0% from RMB1,669.8 million for the six months ended June 30, 2019 to RMB1,569.4 million for the six months ended June 30, 2020. Despite our gross billing had been substantially compensated by the business expansion in e-commerce, financial services and advertising industries, our revenue decreased by 37.8% from the six months ended June 30, 2019 to the six months ended June 30, 2020. This was because we mainly provide advertisement distribution service to advertising agencies in e-commerce and advertising industries. Therefore, revenue generated from these two industries was generally recorded under net method, which resulted in a difference between the gross billing and revenue generated from these industries.

SUMMARY

The table below sets forth a breakdown of revenue generated from our online marketing solutions business by industry verticals for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Online gaming.	64,854	39.1	811,195	72.3	1,368,410	60.0	918,486	72.5	287,830	36.5
Financial services ⁽¹⁾	41,263	24.9	67,155	6.0	273,791	12.0	87,242	6.9	143,755	18.2
E-commerce	4,581	2.8	38,082	3.4	215,467	9.4	62,065	4.9	146,336	18.6
Internet services	6,405	3.9	119,911	10.7	171,640	7.5	87,721	6.9	60,303	7.6
Advertising.	20,660	12.5	45,204	4.0	72,547	3.2	22,987	1.8	95,557	12.1
Culture & media	16,566	10.0	21,024	1.9	59,323	2.6	50,310	4.0	11,313	1.4
Others ⁽²⁾	11,510	6.8	18,856	1.7	121,126	5.3	38,498	3.0	43,235	5.6
Total.	165,839	100.0	1,121,427	100.0	2,282,304	100.0	1,267,309	100.0	788,329	100.0

Notes:

- (1) Financial services primarily include online insurance, consumer financing and retail banking.
- (2) Others primarily include business services and healthcare.

During the Track Record Period, online gaming developers and/or distributors were our largest group of advertising customers. Our revenue generated from online gaming customers accounted for approximately 39.1%, 72.3%, 60.0%, 72.5% and 36.5% of our total revenue derived from online marketing solutions business for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2019 and 2020, respectively. The decrease from 2018 to 2019 and from the six months ended June 30, 2019 to the six months ended June 30, 2020 reflected our strategy and efforts to further explore other industry verticals, such as e-commerce. Our revenue generated from financial services companies accounted for 24.9%, 6.0%, 12.0%, 6.9% and 18.2% of our total revenue derived from online marketing solutions business for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. The decrease from 2017 to 2018 was primarily due to the stricter regulations governing online financial companies implemented by the PRC government in 2018, which had an adverse impact on the online financial service industry in China, while the increase from 2018 to 2019 and from the six months ended June 30, 2019 to the six months ended June 30, 2020 was primarily due to our strategy to seek to serve low risk and reputational financial services companies, such as GOME Credit Card, which were less affected by the stricter regulations. Our revenue generated from e-commerce companies, as a percentage of our total revenue generated from online marketing solutions business, increased from 2.8% in 2017 to 3.4% in 2018 and further to 9.4% in 2019, and increased from 4.9% in the six months ended June 30, 2019 to 18.6% in the six months ended June 30, 2020, reflecting our strategy and efforts to benefit from the rapid growth of e-commerce industry.

Revenue from Our Pan-entertainment Content Services Business

Our revenue generated from our pan-entertainment content services business decreased from RMB69.6 million in 2017 to RMB64.7 million in 2018 and further decreased to RMB30.7 million in 2019, primarily as internet users became keen to watch short videos as opposed to browsing the websites to read text and image and thus we strategically shifted our business focus to online marketing solutions. Our revenue generated from our pan-entertainment content services business decreased from RMB19.2 million in the six months ended June 30, 2019 to RMB8.6 million in the six months ended June 30, 2020, primarily due to the further decrease in revenue generated from *Huabian* Platform, which was partially offset by our new revenue stream from the short video KOL programs, in line with our strategy to upgrade our pan-entertainment content services and expand our content coverage from text and image content only to include short video programs.

SUMMARY

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross Profit (RMB'000)	Margin %								
Online marketing solutions business										
Gross method . . .	7,111	4.5	52,330	4.8	113,806	5.1	48,799	3.9	54,927	7.2
Net method ⁽¹⁾ . . .	7,291	100.0	27,826	100.0	38,756	100.0	15,299	100.0	28,215	100.0
Sub-total	14,402	8.7	80,156	7.1	152,562	6.7	64,098	5.1	83,142	10.5
Pan-entertainment content services business	35,303	50.7	28,103	43.4	6,727	21.9	4,875	25.4	1,239	14.3
Total	49,705	21.1	108,259	9.1	159,289	6.9	68,973	5.4	84,381	10.6

Note:

(1) When we provide only traffic acquisition services for our advertising customers, we act as an intermediary and record our revenue on a net basis and do not record cost of sales. Therefore, our gross profit margin under net method is 100.0%.

Our gross profit increased from RMB49.7 million for the year ended December 31, 2017 to RMB108.3 million for the year ended December 31, 2018, and further increased to RMB159.3 million for the year ended December 31, 2019, primarily due to the rapid growth of our online marketing solutions business, reflecting our efforts to expand our business and in line with the rapid growth of our revenue from 2017 to 2019. Our gross profit increased from RMB69.0 million for the six months ended June 30, 2019 to RMB84.4 million for the six months ended June 30, 2020, as a result of the increased gross profit of our online marketing solutions business. Our gross profit margin decreased from 21.1% in 2017 to 9.1% in 2018, and further decreased to 6.9% in 2019, primarily as our online marketing solutions business that has a relatively low gross profit margin accounted for an increasing and substantial portion of our total revenue from 2017 to 2019. Our gross profit margin increased from 5.4% in the six months ended June 30, 2019 to 10.6% in the six months ended June 30, 2020, in line with the increased gross profit margin of our online marketing solutions business which contributed to a substantial portion of our gross profit.

The gross profit margin of our online marketing solutions business decreased from 8.7% in 2017 to 7.1% in 2018 and further decreased to 6.7% in 2019, primarily due to an increasingly higher proportion of gross profit generated from our online marketing solutions business under gross basis during the same years, which recorded a lower gross profit margin. The gross profit margin of our online marketing solutions business increased from 5.1% in the six months ended June 30, 2019 to 10.5% in the six months ended June 30, 2020, primarily due to (i) an increase in the gross profit margin of our online marketing solutions business under gross basis; and (ii) an increasing portion of online marketing solutions under net basis which recorded gross profit margin of 100.0%. The gross profit margin of our online marketing solutions business under gross basis increased from 4.5% in 2017 to 4.8% in 2018, and further to 5.1% in 2019, and increased from 3.9% in the six months ended June 30, 2019 to 7.2% in the six months ended

SUMMARY

June 30, 2020, primarily due to the reduced rebates, as a percentage of our gross billing, we granted to our advertising customers. This was because we started to provide short video marketing solutions in 2017 and intended to attract advertisers by offering more rebates, while we have been reducing rebates granted to our advertising customers since 2018 as a result of (i) our value-added services provided to advertisers; and (ii) stronger bargaining power arising from our market leadership.

The gross profit margin of our pan-entertainment content services business decreased from 50.7% in 2017 to 43.4% in 2018 and further decreased to 21.9% in 2019, primarily as a result of the increasingly expensive user traffic we acquired from our content distribution partners to distribute content of our *Huabian* Platform during the Track Record Period, in line with the market trend. The gross profit margin of our pan-entertainment content services business decreased from 25.4% in the six months ended June 30, 2019 to 14.3% in the six months ended June 30, 2020, primarily due to further decrease in revenue generated from our *Huabian* Platform, while fixed costs remained relatively stable.

Summary of Consolidated Balance Sheets

	As of December 31,			As of
	2017	2018	2019	June 30, 2020
	(RMB'000)			
Current assets				
Trade receivables	98,504	380,312	457,025	365,951
Prepayments, other receivables and other assets . . .	10,648	36,136	106,709	169,263
Financial assets at fair value through profit or loss .	–	–	–	42,000
Cash and cash equivalents	26,190	6,300	34,840	44,796
	<u>135,342</u>	<u>422,748</u>	<u>598,574</u>	<u>622,010</u>
Non-current assets	<u>4,343</u>	<u>10,771</u>	<u>40,387</u>	<u>48,513</u>
Total assets	<u>139,685</u>	<u>433,519</u>	<u>638,961</u>	<u>670,523</u>
Current liabilities				
Trade payables	48,552	147,771	179,633	115,041
Other payables and accruals	6,386	25,063	24,897	50,402
Interest-bearing bank borrowings	–	27,800	91,547	80,942
Current portion of lease liabilities	652	684	4,037	5,862
Contract liabilities	5,000	16,319	37,353	62,756
Income tax payable	2,801	6,382	18,773	11,826
	<u>63,391</u>	<u>224,019</u>	<u>356,240</u>	<u>326,829</u>
Non-current liabilities	<u>1,523</u>	<u>1,277</u>	<u>1,044</u>	<u>4,857</u>
Total liabilities	<u>64,914</u>	<u>225,296</u>	<u>357,284</u>	<u>331,686</u>
Net current assets	<u>71,951</u>	<u>198,729</u>	<u>242,334</u>	<u>295,181</u>
Net assets	<u>74,771</u>	<u>208,223</u>	<u>281,677</u>	<u>338,837</u>
Total equity	<u>74,771</u>	<u>208,223</u>	<u>281,677</u>	<u>338,837</u>

SUMMARY

Our trade receivables increased from RMB98.5 million as of December 31, 2017 to RMB380.3 million as of December 31, 2018 and further to RMB457.0 million as of December 31, 2019, in line with the rapid growth of our online marketing solutions business. Our trade receivables decreased from RMB457.0 million as of December 31, 2019 to RMB366.0 million as of June 30, 2020, primarily as a result of our tightened credit policies. During the Track Record Period, our large amounts of trade receivables subjected us to liquidity risk and resulted in net cash outflow used in operating activities in 2018 and 2019. We have adopted a series of risk management and internal control measures to strengthen our credit policies to improve our cash position and avoid default in trade receivables by advertising customers. See “Business — Risk Management and Internal Control — Credit Risk Management” and “Financial Information — Certain Balance Sheet Items — Trade Receivables.”

Our current portion of prepayments increased significantly during the Track Record Period, from RMB9.0 million as of December 31, 2017 to RMB19.0 million as of December 31, 2018 and further to RMB87.1 million as of December 31, 2019, in line with the rapid growth of our online marketing solutions business. Our current portion of prepayments continued to increase from RMB87.1 million as of December 31, 2019 to RMB134.0 million as of June 30, 2020, primarily due to our business expansion with e-commerce advertisers which were required by Supplier A to make prepayments. Our prepayments turnover days decreased from 6.8 days in 2017 to 3.3 days in 2018, primarily as a result of a significant increase in our gross spending of traffic acquisition from our media partners, in line with our strategical shift of business focus to online marketing solutions business. Our prepayments turnover days increased from 3.3 days in 2018 to 6.2 days in 2019 and further to 13.8 days in the six months ended June 30, 2020, in line with our rapid growth of prepayments which results from fast expansion of our online marketing solutions business. See “Financial Information — Certain Balance Sheet Items — Prepayments, Other Receivables and Other Assets.” Prepayments for traffic acquisitions to suppliers are crucial to our operations and business expansion, and in general, the larger amounts of prepayments, the larger scale of our business, which is evidenced by the rapid growth of both our revenue and prepayments throughout the Track Record Period. Such prepayments are fully refundable upon our request, provided that (i) when we determine to cease to acquire traffic from a certain supplier and (ii) if a certain supplier fails to provide the relevant traffic resources to us in a timely manner or at all. Prepayments are subject to (i) the price pressure caused by the changes in the unit price of ad inventories and (ii) any major changes in online publishers’ internal terms or policies regulating advertisers’ or online marketing solutions providers’ prepayments. Despite that prepayments help boost our business, any significant increase in prepayments may also result in an adverse impact on our cash flows generated from operating activities and working capital requirement and expose us to credit and liquidity risks. If our online publisher suppliers fail to provide the relevant traffic resources to us in a timely manner or at all, we may be exposed to prepayment default risks. See “Risk Factors — Risks Relating to Our Business and Industry — Our large prepayments to major suppliers may involve significant uncertainty. Failure to recover our prepayments in part or in full could have a material and adverse impact on our business and financial position.”

Our contract liabilities increased from RMB5.0 million as of December 31, 2017 to RMB16.3 million as of December 31, 2018 and further to RMB37.4 million as of December 31, 2019, reflecting the rapid growth of our online marketing solutions business from 2017 to 2019. Our contract liabilities increased significantly from RMB37.4 million as of December 31, 2019 to RMB62.8 million as of June 30, 2020, primarily as a result of our stricter credit policy that requires certain advertising customers to prepay for our online marketing solutions.

See “Financial Information — Net Current Assets” for details of our net current assets.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	(RMB'000)			(unaudited)	
Operating cash flows before movement in working capital . .	38,191	81,388	118,098	53,270	70,767
Changes in working capital	(30,107)	(192,802)	(116,603)	(64,703)	11,929
Interest paid	(60)	(53)	(189)	(104)	(102)
Tax paid	(927)	(2,433)	(5,274)	(5,211)	(11,018)
Net cash generated from/(used in) operating activities	7,097	(113,900)	(3,968)	(16,748)	71,576
Net cash used in investing activities	(1,235)	(5,910)	(10,769)	(1,844)	(45,772)
Net cash (used in)/ generated from financing activities	(6,210)	99,920	43,277	20,764	(15,848)
Net (decrease)/ increase in cash and bank balances	(348)	(19,890)	28,540	2,172	9,956
Cash and bank balances at the beginning of the year/period . .	26,538	26,190	6,300	6,300	34,840
Cash and bank balances at the end of the year/period . . .	<u>26,190</u>	<u>6,300</u>	<u>34,840</u>	<u>8,472</u>	<u>44,796</u>

We recorded negative operating cash flow of RMB113.9 million and RMB4.0 million in 2018 and 2019, respectively, primarily due to the relatively longer credit terms we granted to our advertising customers than those media partners granted to us, as we strategically shifted our focus to short video marketing in 2018 and intended to attract advertisers by offering longer credit terms. Our operating cash outflow decreased significantly from 2018 to 2019, primarily due to our tightened credit policy in payment collection, as we have become a leading short video marketing solutions provider. Due to our effective tightened credit policy, we generated operating cash inflow of RMB71.6 million in the first half of 2020.

See “Financial Information — Liquidity and Capital Resources — Cash Flows” for details of our cash flows.

Key Financial Ratios

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

	Year ended December 31,			Six months ended
	2017	2018	2019	June 30, 2020
	%			
Profitability ratios				
Gross profit margin ⁽¹⁾ . . .	21.1	9.1	6.9	10.6
Net profit margin ⁽²⁾	14.0	5.9	3.2	7.2
Return on equity ⁽³⁾	44.1	33.4	25.9	N/A
Return on assets ⁽⁴⁾	23.6	16.0	11.4	N/A

SUMMARY

	As of December 31,			As of June 30, 2020
	2017	2018	2019	
Liquidity ratios				
Current ratio ⁽⁵⁾	2.14	1.89	1.68	1.90
Quick ratio ⁽⁶⁾	2.14	1.89	1.68	1.90
Capital adequacy ratio				
Gearing ratio (%) ⁽⁷⁾	2.9	14.1	34.2	26.7
Net debt to equity ratio (%) ⁽⁸⁾	N/A ⁽⁹⁾	11.3	21.8	13.5

Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.
- (2) Net profit margin is calculated based on profit for the year/period divided by revenue and multiplied by 100%.
- (3) Return on equity is calculated based on profit for the year divided by total equity at the end of the year and multiplied by 100%.
- (4) Return on assets is calculated based on profit for the year divided by total assets at the end of the year and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities.
- (6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities. Our quick ratio equaled to our current ratio as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively as we did not have inventories balance as of the same dates.
- (7) Gearing ratio is calculated based on total borrowings (including bank and other borrowings and lease liabilities) divided by total equity multiplied by 100%.
- (8) Net debt to equity ratio is calculated based on total borrowings (including bank and other borrowings and lease liabilities) less cash and cash equivalents divided by total equity multiplied by 100%.
- (9) Net debt to equity ratio as of December 31, 2017 was not applicable as we had net cash as of the same date.

See “Financial Information — Key Financial Ratios” for details of the above ratios.

RECENT DEVELOPMENTS

Outbreak of Novel Coronavirus Disease 2019

There has been an outbreak of an infectious disease caused by a novel coronavirus (the “COVID-19”). The disease quickly spread within the PRC and globally and materially and adversely affected the global economy.

Our Directors are of the view that the recent outbreak of COVID-19 worldwide has had the following impact on our business, results of operations and financial condition:

- **Sales of services:** With the outbreak of COVID-19, some advertisers were undergoing financial difficulties, in particular those from tourism industry or located in high risk regions. Our revenue generated from these advertising customers who were undergoing financial difficulties during the outbreak of COVID-19 was RMB12.9 million in the six months ended June 30, 2020, accounting for approximately 1.6% of our total revenue in the same period. However, as COVID-19 has almost been controlled in China and these advertising customers have almost resumed to normal operations, there had been no default on our trade receivables by such advertising customers as of October 31, 2020. Even for those industries not severely affected by the COVID-19, the advertisers were postponing their advertising campaigns or even reducing their advertising spending as a result of the uncertain economy. However, advertisers from other industries were experiencing growth, such as online e-commerce. For example, our gross billing attributable to short video marketing solutions we provided to e-commerce companies increased by 127.8% from RMB259.5 million for the six months ended

SUMMARY

June 30, 2019 to RMB591.1 million for the six months ended June 30, 2020. As a result of the aforementioned two offsetting factors, our sales of services were not materially and adversely affected by the outbreak of COVID-19. We even recorded revenue of RMB797.0 million for the six months ended June 30, 2020 as compared to RMB637.7 million for the six months ended June 30, 2019 (excluding revenue contribution of customer E), representing an increase of approximately 25.0%; and

- **Operations:** We adopted a strict disease prevention scheme to reduce the risk of our employees from infection of COVID-19. The measures implemented include, among others, sterilizing our workplaces twice a day, ventilating the workplaces, requiring employees to return to work in batches, segmenting lunch time, monitoring the body temperature of employees twice a day, and keeping track of the travel history and health of employees and their immediate family members. As of the Latest Practicable Date, all of our employees had returned to work.

iResearch is of the view that the recent outbreak of COVID-19 has not had any material adverse impact on the short video marketing market in China, primarily because: (i) people have very limited outdoor activities during the outbreak of COVID-19, therefore, their demand for certain industries increased sharply, such as online education and e-commerce, which in turn boosted advertisers' demands for short video marketing; (ii) the market demand for many industries remained unchanged, such as financial services. Nevertheless, as offline marketing activities were restricted during the outbreak of COVID-19, advertisers have been reallocating their marketing budgets from offline to online, which accelerated the development of short video marketing market; and (iii) generally the first quarter of each calendar year is the off-peak season for short video marketing. According to iResearch, despite the decreasing demand of advertisers from a limited of industries for short video marketing and their delayed spending of marketing budgets, the overall online marketing market, in particular the short video marketing market, will not be materially and adversely affected by the outbreak of COVID-19, and the size of short video marketing market is expected to increase to RMB172.4 billion in 2020 from RMB102.5 billion in 2019.

In the worst case scenario, namely, when we are required to suspend our operations after the Listing, our available financial resources of approximately RMB504.9 million comprising as of June 30, 2020 (i) cash and cash equivalent of RMB44.8 million, (ii) financial assets at fair value through profit or loss of RMB42.0 million, (iii) unutilized banking facilities of RMB17.5 million; (iv) trade receivables of RMB314.0 million subsequently settled as of October 31, 2020 and (v) 10% of net proceeds from the Global Offering of RMB86.6 million (based on HK\$5.56 per Share, being the low-end of the Offer Price range stated in this prospectus), offsetting by as of June 30, (i) trade payables of RMB113.4 million subsequently settled as of October 31, 2020 and (ii) bank borrowings of RMB80.9 million based on the relevant repayment schedules can support the payment of operating expenses for approximately 45 months starting from June 30, 2020. The above estimate is based on the estimated operating expenses per month of RMB6.8 million, which comprised (i) base salaries of employees and social insurance and housing provident fund contributions of RMB3.8 million, and (ii) other operating expenses of RMB3.0 million.

Recent Developments on Our Business and Financial Performance

Our revenue and gross profit generated from *Huabian* Platform decreased significantly throughout the Track Record Period, as internet users became keen to watch short videos as opposed to browsing the websites to read text and image, in line with the market trends. Therefore, we strategically shifted our business focus to short video marketing. We expect that our revenue and gross profit generated from *Huabian* Platform would be further decreasing for the year ending December 31, 2020. In spite of the decreased revenue contribution from *Huabian* Platform, we have been upgrading our pan-entertainment content services and expanding our content coverage from text and image content only to include short

SUMMARY

videos programs. One of our two short video KOL programs, *Idol Answers*, has generated revenue in the six months ended June 30, 2020 and we expect it to generate further revenue in the six months ending December 31, 2020.

Our gross billing increased by 17.8% from RMB2,663.8 million for the ten months ended October 31, 2019 to RMB3,137.4 million for the ten months ended October 31, 2020, primarily due to our business expansion in e-commerce, financial services and advertising industries, which was partially offset by our loss of customer E.

Our Directors confirm that, up to the date of this prospectus, (i) there has been no material adverse change in our financial or trading position since June 30, 2020; and (ii) there has been no material adverse change in our business, the industry in which we operate and/or market or regulatory environment to which we are subject.

Recent Developments on Our Regulatory Environment

The PRC anti-monopoly enforcement agencies have in recent years strengthened the enforcement under the PRC Anti-monopoly Law (《中華人民共和國反壟斷法》). In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen its anti-monopoly enforcement and promulgated a series of regulations.

The SAMR published a discussion draft of the Guideline on Anti-monopoly of Platform Economy Sector (《關於平台經濟領域的反壟斷指南(徵求意見稿)》) (the “**Draft Guideline**”) in November 2020, aiming to improve anti-monopoly administration on online platforms to prevent and prohibit the monopolistic competition in the platform economy sector and to promote the healthy development of platform economy. The released Draft Guideline, if enacted, will operate as a compliance guidance under the existing PRC anti-monopoly laws and regulations for platform economy operators. See “Regulatory Environment — Regulations Related to Anti-Monopoly” for a brief summary of the Draft Guideline. The Draft Guideline intends to regulate abuse of a dominant position and other anti-competitive practices by online platform operators and the related merchants and service providers on online platforms. Pursuant to the Draft Guideline, representative examples of abuse of dominance include unfairly locking in exclusive agreements with merchants and targeting specific customers with unreasonable big-data driven tailored pricing through their online behavior to eliminate or limit market competition. We believe that the risk of our violating the Draft Guideline (as is currently drafted) is low based on the following reasons. Our PRC Legal Advisors advises us that we currently do not have a dominant position in the market that we operate. First, pursuant to Section 19 of the PRC Anti-monopoly Law, a market participant that has more than 50% of the market share in a relevant market is presumed to have a dominant position in that market. According to iResearch, we, as the third largest online marketing solutions providers in terms of gross billing generated from short video advertisements, have a market share of only 0.5% in the PRC in 2019, which is far below the 50% threshold under Section 19 of the PRC Anti-monopoly Law. Second, according to iResearch, the online marketing market is highly fragmented and competitive, with the top five market players having an aggregate market share of approximately 12.4% in terms of revenue in 2019. We believe such a status will likely create a fluid and dynamic competitive landscape rather than a mature market with a dominant participant. In particular, the Draft Guideline also stipulates, among other things, that platform operators shall not use data and algorithms to eliminate and restrict competition. As advised by our PRC Legal Advisors, our usage of data and algorithms will not be materially and adversely affected by the Draft Guideline because (i) we, as an online marketing solutions provider, collect raw data from online publishers rather than generate raw data by ourselves — we do not own such raw data and therefore are not able to exclude or restrict other platform operators from collecting and using the data available in the industry; and (ii) we develop our own algorithms by

SUMMARY

analyzing raw data collected; the way we collect raw data and develop our algorithms does not prevent other platform operators in the industry from collecting data from their own data sources and developing their own algorithms based on their data analytics. Therefore, we believe our usage of data and self-developed algorithms will not exclude or restrict other platform operators and cannot reasonably be expected to result in elimination or restriction of competition.

As advised by our PRC Legal Advisors, the Draft Guideline was released for public comment only, and its operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. Although it is impossible to predict the impact of the Draft Guideline, if any, at this stage, we will closely monitor and assess the trajectory of the rule-making process. Currently, our Directors believe that the Draft Guideline has no material adverse impact on our business, financial condition and results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to complex and evolving laws and regulations. Many of these laws and regulations are relatively new and subject to changes and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.”

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any proceedings, investigations or punishments for violation of the PRC Anti-monopoly Law.

OFFERING STATISTICS

	<u>Based on an Offer Price of HK\$5.56 per Offer Share</u>	<u>Based on an Offer Price of HK\$7.08 per Offer Share</u>
Market capitalization of our Shares upon completion of the Global Offering	HK\$4,448 million	HK\$5,664 million
Unaudited pro forma adjusted net tangible assets per Offer Share ⁽¹⁾	HK\$1.76	HK\$2.13

Note:

(1) See “Appendix II — Unaudited Pro Forma Financial Information” for further details regarding the assumptions used and the calculations method.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, excluding any discretionary incentive fees which may be payable by us) for the Global Offering are approximately RMB82.6 million, representing 7.7% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB19.9 million, of which approximately RMB16.0 million was charged to the consolidated statements of profit or loss for the year ended December 31, 2019 and the six months ended June 30, 2020, as administrative expenses and approximately RMB3.9 million was capitalized in the consolidated statements of financial position as of June 30, 2020 to be charged against equity upon successful Listing. We expect to incur additional listing expenses of approximately RMB62.7 million, of which approximately RMB16.2 million is expected to be recognized as administrative expenses and approximately RMB46.5 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2020.

SUMMARY

DIVIDENDS

Netjoy Network declared dividends of RMB11.0 million to its shareholders in November 2018, which was settled in January 2019. In addition to cash dividends, Netjoy Network distributed bonus shares as dividends to the then existing Shareholders in 2017 and 2018, amounting to RMB12.9 million and RMB13.8 million, respectively. Other than that, no dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period.

We do not currently have a formal dividend policy or a fixed dividend payout ratio. Any future declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. See “Financial Information — Dividends” for more details.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$6.32 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,166.6 million, after deduction of underwriting commissions and estimated expenses payable by us in connection with the Global Offering. We will not receive any of the net proceeds from the exercise of the Over-allotment Option.

We intend to use the net proceeds of the Global Offering for the following purposes:

Percentage of Net Proceeds	Future Plans	Approximately HK\$ in millions
13.6%	To enhance our research and development capabilities, in particular machine learning algorithms and AI capabilities, and improve our information technology infrastructure. See “Business — Our Strategies — Enhance our big data analytics and AI capabilities”	158.6
57.6%	<ul style="list-style-type: none">• 48.4% to enhance our relationships with existing media partners and enlarge our advertiser and media partner bases (mainly used for (i) prepayments and deposits to top online publishers to scale our business operations; (ii) offering longer credit periods to selected customers; (iii) reduction of debt financing; and (iv) recruitment of additional sales and marketing staff);• 5.5% to enhance our content production capabilities; and• 3.7% to expand our domestic and international footprints. See “Business — Our Strategies — Expand our advertising customer base and explore opportunities in specific industry verticals”	671.7
18.8%	To pursue strategic investments in and acquisitions of upstream and downstream industry participants to achieve synergies. See “Business — Our Strategies — Selectively pursue strategic collaboration, investment and acquisition opportunities”	219.7
10.0%	Working capital and other general corporate purposes.	116.7

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we only intend to place such proceeds in short-term interest-bearing deposits with licensed banks or authorized financial institutions in Hong Kong or China.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Aofa Management”	Shanghai Aofa Enterprise Management Co., Ltd. (上海奧發企業管理有限公司), a limited liability company established in the PRC on March 26, 2019 and a Shareholder of our Company
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on November 17, 2020 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Baixing Net”	Baixing Co., Ltd. (百姓網股份有限公司), a joint stock limited liability company established in the PRC on September 30, 2005 and the holding company of Kijiji, the shares of which are listed on NEEQ (stock code: 836012)
“Baxter Investment”	Baxter Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The RGRGU Trust and the immediate shareholder of Dai SPV
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday, or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CareFree Planning”	CareFree Planning Technology Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Qin, the settlor of the The MH’s Family Trust and one of our Controlling Shareholders

DEFINITIONS

“Capitalization Issue”	the issue of 64,470,917 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in “History, Reorganization and Corporate Structure — Capitalization Issue”
“Catalog”	Catalog for the Guidance of Encouraged Foreign Investment Industries (2019 Edition) (鼓勵外商投資產業目錄(2019年版)), promulgated by the MOFCOM and the NDRC on June 30, 2019
“Cayman Companies Law” or “Companies Law”	the Companies Law (2018 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only, except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company” or “our Company”	Netjoy Holdings Limited (云想科技控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 29, 2019
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entity”	the entity we control through the Contractual Arrangements, namely Netjoy Network
“Contractual Arrangements”	the series of contractual arrangements, as the case may be, entered into by, among others, Yunxiang Information, Netjoy Network and its registered shareholders on March 30, 2020, details of which are described in “Contractual Arrangements”
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Mr. Xu, Mr. Qin, Derun Investments, Quantum Computing, CareFree Planning, Wang SPV, Xu SPV and Qin SPV
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dai SPV”	Blackburn Capitals Holding Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Baxter Investment, and directly holding the relevant Shares on behalf of The RGRGU Trust
“Derun International”	Derun International Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The Longhills Trust and the immediate shareholder of Wang SPV
“Derun Investments”	Derun Investments Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Wang, the settlor of the The Longhills Trust and one of our Controlling Shareholders
“Director(s)”	director(s) of our Company
“Douyin”	Douyin (抖音), a creative musical and short video social media app
“EIT”	enterprise income tax in the PRC
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

“Family Trust(s)”	the relevant discretionary family trust set up by each of the Ultimate Controlling Shareholders, Mr. Dai and Mr. Ru, namely The Longhills Trust, The FS Trust, The MH’s Family Trust, The RGRGU Trust and The Ru Liang’s Trust
“FSS Investment”	FSS Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The FS Trust and the immediate shareholder of Xu SPV
“GDP”	gross domestic product
“GFA”	gross floor area
“Global Awesomeness”	Global Awesomeness Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Dai, the settlor of the The RGRGU Trust
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we”, or “us”	our Company, its subsidiaries and its consolidated affiliated entity from time to time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Guomeng Internet”	Guangzhou Guomeng Network Technology Co., Ltd. (廣州果盟網絡科技有限公司), a limited liability company established in the PRC on May 20, 2019 and an indirectly wholly-owned subsidiary of our Company
“Guzon Asset”	Shanghai Guzon Asset Management Co., Ltd. (上海巨漳資產管理有限公司), a limited liability company established in the PRC on September 9, 2015 and a Shareholder of our Company
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App or on the designated website at www.hkeipo.hk
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

“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
“holding company(ies)”	has the meaning ascribed thereto under the Listing Rules
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 20,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in “Structure and Conditions of the Global Offering”
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in “Structure and Conditions of the Global Offering”) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Public Offer Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 4, 2020, relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters
“ <i>Huabian</i> Platform”, “ <i>Huabian</i> ”	<i>Huabian</i> Website (www.huabian.com) and its mobile terminal, our self-operated pan-entertainment oriented content platform
“IFRSs”	International Financial Reporting Standards
“Independent Third Party(ies)”	an individual or a company which, to the best of our Director’s knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

DEFINITIONS

“International Offer Shares”	the 180,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor(s) pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in “Structure and Conditions of the Global Offering”
“International Offering”	the conditional offering of the International Offer Shares outside the United States in offshore transactions in reliance on Regulation S, on and subject to the terms and conditions of the International Underwriting Agreement, as further described in “Structure and Conditions of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, the Controlling Shareholders, the Over-allotment Option Grantors, the Sole Global Coordinator and the International Underwriters on or about December 10, 2020
“ IPO App ”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“iResearch”	Shanghai iResearch Co., Ltd., an independent market research and consulting company
“iResearch Report”	the industry report issued by iResearch for the purpose of this prospectus
“Jingheng Jianyong”	Hangzhou Jingheng Jianyong Equity Investment Partnership (Limited Partnership) (杭州靜衡堅勇股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on June 15, 2015 and a Shareholder of our Company
“Jingke International”	Jingke International Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The Ru Liang’s Trust and the immediate shareholder of Ru SPV
“Joint Bookrunners”	Haitong International Securities Company Limited, DBS Asia Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Securities (International) Corporate Finance Company Limited, BOCOM International Securities Limited, BOCI Asia Limited and AMTD Global Markets Limited

DEFINITIONS

“Joint Lead Managers”	Haitong International Securities Company Limited, DBS Asia Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Securities (International) Corporate Finance Company Limited, BOCOM International Securities Limited, BOCI Asia Limited, AMTD Global Markets Limited, Futu Securities International (Hong Kong) Limited and SBI China Capital Financial Services Limited
“Kijiji”	Shanghai Kijiji Information Technology Co., Ltd. (上海客齊集信息技術股份有限公司), a joint stock limited liability company established in the PRC on June 16, 2005 and a Shareholder of our Company
“Kuaishou”	快手, a leading Chinese video-sharing social media app, which was among our five largest suppliers in 2019 and the six months ended June 30, 2020
“LAT”	land appreciation tax (土地增值稅), as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)
“Latest Practicable Date”	November 29, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Letui Culture”	Letui (Shanghai) Culture Broadcast Co., Ltd. (樂推(上海)文化傳播有限公司), a limited liability company established in the PRC on December 19, 2013 and an indirectly wholly-owned subsidiary of our Company
“Letui Information”	Letui Chuanshi (Shanghai) Information Technology Co., Ltd. (樂推傳視(上海)信息技術有限公司), a limited liability company established in the PRC on August 2, 2019 and an indirectly wholly-owned subsidiary of our Company
“Letui Zhixiao”	Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. (樂推智效(上海)文化傳播有限公司), a limited liability company established in the PRC on January 26, 2020 and an indirectly wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, December 17, 2020, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Luminous Stars”	Luminous Stars Limited, a company incorporated under the laws of BVI on March 14, 2019 and wholly owned by Mr. Ru, the settlor of the The Ru Liang’s Trust
“M&A Rules”	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》) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, SAMR, and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on November 17, 2020 with immediate effect, and as amended from time to time
“MIIT”	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
“MOF”	Ministry of Finance of the People’s Republic of China (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Dai”	Mr. Dai Liqun (戴立群), a non-executive Director
“Mr. Qin”	Mr. Qin Miaomiao (覃渺渺), a non-executive Director and a member of our Controlling Shareholders
“Mr. Ru”	Mr. Ru Liang (茹良), the ultimate controller of The Ru Liang's Trust and a registered shareholder of Netjoy Network
“Mr. Wang”	Mr. Wang Chen (王晨), an executive Director, the chief executive officer of our Company, and a member of our Controlling Shareholders
“Mr. Xu”	Mr. Xu Jiaqing (徐佳慶), an executive Director, the chairman of the Board, and a member of our Controlling Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

DEFINITIONS

“NEEQ”	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC
“Netjoy BVI”	Netjoy International Limited, a company incorporated under the laws of the BVI on April 4, 2019 and a wholly-owned subsidiary of our Company
“Netjoy Friends”	Netjoy Friends (Shanghai) Investment Partnership (Limited Partnership) (嗨皮夥伴(上海)投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 15, 2015 and deregistered on March 13, 2020, a previous shareholder of Netjoy Network
“Netjoy HK”	Netjoy International (Hong Kong) Limited (雲想中國有限公司), a company incorporated under the laws of Hong Kong on April 26, 2019 and an indirectly wholly-owned subsidiary of our Company
“Netjoy Network”	Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司) (formerly known as Netjoy (Shanghai) Network Technology Holdings Co., Ltd. (嗨皮(上海)網絡科技股份有限公司)), a limited liability company established in the PRC on November 15, 2012 and the Consolidated Affiliated Entity indirectly controlled by our Company through the Contractual Arrangements
“Nomination Committee”	the nomination committee of the Board
“NRTA”	National Radio and Television Administration (中華人民共和國國家廣播電視總局)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed “Structure and Conditions of the Global Offering — Pricing and Allocation”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor(s) pursuant to any exercise of the Over-allotment Option
“Onshore Investors”	Jingheng Jianyong, Kijiji, Qipu Xinzhe, Wutong Holding, Guzon Asset, Wideview Asset and Aofa Management

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by the Over-allotment Option Grantors to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) under the International Underwriting Agreement pursuant to which each of the Over-allotment Option Grantors may be required by the Sole Global Coordinator to sell up to 15,000,000 additional Offer Shares (in aggregate being 30,000,000 Shares and representing not more than 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover, among other things, over-allocations of the International Offering, if any, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Over-allotment Option Grantor(s)”	Dai SPV and Guzon Asset, each in the capacity of a grantor of the Over-allotment Option pursuant to the International Underwriting Agreement
“PBOC”	the People’s Bank of China (中國人民銀行)
“People’s Congress”	the PRC’s legislative apparatus, including the National People’s Congress and all the local people’s congresses (including provincial, municipal, and other regional or local people’s congresses) as the context may require, or any of them
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by the Shareholders on November 17, 2020, a summary of the principal terms of which is set forth in “Appendix IV — Statutory and General Information — D. Post-IPO Share Option Scheme”
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time, which was lately amended on October 26, 2018 to take effective on the same date
“PRC Legal Advisors”	DeHeng Law Offices, our legal advisors as to PRC laws
“Pre-IPO Investment”	the pre-IPO investment in our Company undertaken by the Pre-IPO Investor, details of which are set out in “History, Reorganization and Corporate Structure”
“Pre-IPO Investor”	Mr. Ku Ching-Teng (古景騰), details of whom are set out in “History, Reorganization and Corporate Structure”
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator and our Company on the Price Determination Date to record and fix the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about Thursday, December 10, 2020, on which the Offer Price will be determined, or such later time as the Sole Global Coordinator and our Company may agree, but in any event, no later than Friday, December 11, 2020
“Qin SPV”	CareFree Technology Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by SpringRain Planning, and directly holding the relevant Shares on behalf of The MH’s Family Trust, and one of our Controlling Shareholders
“Qipu Xinzhe”	Hangzhou Qipu Xinzhe Investment Management Partnership (Limited Partnership) (杭州啓浦信喆投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 10, 2017 and a Shareholder of our Company
“Qizheng Culture”	Qizheng (Shanghai) Culture Communication Co., Ltd. (啟征(上海)文化傳播有限公司), a limited liability company established in the PRC on May 28, 2019 and an indirectly wholly-owned subsidiary of our Company
“Quantum Computing”	Quantum Computing Power Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Xu, the settlor of the The FS Trust and one of our Controlling Shareholders
“Quantum Culture Media”	Horgos Quantum Dynamic Culture Media Co., Ltd. (霍爾果斯量子動態文化傳媒有限公司), a limited liability company established on June 8, 2017 and an indirectly wholly-owned subsidiary of our Company
“Registered Shareholders”	the registered shareholders of Netjoy Network, being Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai, Mr. Ru, Kijiji, Wutong Holding, Guzon Asset, Jingheng Jianyong, Aofa Management, Qipu Xinzhe and Wideview Asset
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing as described in “History, Reorganization and Corporate Structure”
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB” or “Renminbi”	the lawful currency of the PRC

DEFINITIONS

“Ru SPV”	Jingke Global Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Jingke International, and directly holding the relevant Shares on behalf of The Ru Liang’s Trust
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAFE Circular 13”	Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment (《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》) promulgated by SAFE in February 2015
“SAFE Circular 37”	Notice on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE in July 2014
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Shanghai Buwei”	Shanghai Buwei Information Technology Co., Ltd. (上海不維信息技術有限公司), a limited liability company established in the PRC on February 6, 2017, the equity interest of which is held as to 20% by Netjoy Network
“Shanghai Fangxi”	Shanghai Fangxi Investment Management Partnership (Limited Partnership) (上海訪溪投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo
“Shanghai Paisen”	Shanghai Paisen Investment Management Partnership (Limited Partnership) (上海派森投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo
“Shanghai Xiangnong”	Shanghai Xiangnong Investment Management Partnership (Limited Partnership) (上海香農投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.00005 each
“Share Option(s)”	the right to subscribe for a specified number of shares pursuant to the Post-IPO Share Option Scheme
“Shareholder(s)”	holder(s) of the Shares
“Sole Global Coordinator”	Haitong International Securities Company Limited
“Sole Sponsor”	Haitong International Capital Limited
“SpringRain Planning”	SpringRain Planning Technology Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The MH’s Family Trust and the immediate shareholder of Qin SPV
“STA”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Stabilising Manager”	Haitong International Securities Company Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and the Over-allotment Option Grantors on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Supplier A”	Beijing Ocean Engine Internet Technology Co., Ltd. (北京巨量引擎網絡技術有限公司) (“ Ocean Engine ”, a limited liability company established in the PRC on November 11, 2016), its subsidiaries, its holding company(ies) (including Bytedance), and the fellow subsidiaries of its holding company(ies). Ocean Engine is a marketing brand and platform of Bytedance, which integrates marketing capabilities of Toutiao, Douyin, Xigua Video (西瓜視頻), Dongchedi (懂車帝), Chuanshanjia (穿山甲), and other products of Bytedance, gathering traffic, content and other partners to provide integrated digital marketing solutions for global advertisers

DEFINITIONS

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“The FS Trust”	a discretionary family trust set up by Mr. Xu (as the economic settlor and the protector), Quantum Computing (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Quantum Computing (as the initial beneficiary) and other beneficiaries as nominated by Mr. Xu from time to time
“The Longhills Trust”	a discretionary family trust set up by Mr. Wang (as the economic settlor and the protector), Derun Investments (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Derun Investments (as the initial beneficiary) and other beneficiaries as nominated by Mr. Wang from time to time
“The MH’s Family Trust”	a discretionary family trust set up by Mr. Qin (as the economic settlor and the protector), CareFree Planning (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of CareFree Planning (as the initial beneficiary) and other beneficiaries as nominated by Mr. Qin from time to time
“The RGRGU Trust”	a discretionary family trust set up by Mr. Dai (as the economic settlor and the protector), Global Awesomeness (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Global Awesomeness (as the initial beneficiary) and other beneficiaries as nominated by Mr. Dai from time to time
“The Ru Liang’s Trust”	a discretionary family trust set up by Mr. Ru (as the economic settlor and the protector), Luminous Stars (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Luminous Stars (as the initial beneficiary) and other beneficiaries as nominated by Mr. Ru from time to time
“Toutiao”	Jinri Toutiao (今日頭條), a personalized news and information recommendation search engine
“Track Record Period”	the three financial years ended December 31, 2019 and the six months ended June 30, 2020
“Ultimate Controlling Shareholders”	Mr. Wang, Mr. Xu and Mr. Qin
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“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. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“Wang SPV”	Derun System Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Derun International, and directly holding the relevant Shares on behalf of The Longhills Trust, and one of our Controlling Shareholders
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“Wideview Asset”	Shanghai Wideview Asset Management Co., Ltd. (上海寬遠資產管理有限公司), a limited liability company established in the PRC on May 26, 2014 and a Shareholder of our Company
“Wutong Holding”	Wutong Holding Group Co., Ltd. (吳通控股集團股份有限公司), a limited liability company established in the PRC on June 22, 1999, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300292), and a Shareholder of our Company
“Xu SPV”	Magne Core Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by FSS Investment, and directly holding the relevant Shares on behalf of The FS Trust, and one of our Controlling Shareholders
“ YELLOW Application Form(s)”	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly in CCASS
“Yunxiang Entertainment”	Yunxiang Entertainment (Shanghai) Co., Ltd. (雲想娛樂(上海)有限公司), formerly known as Netjoy (Shanghai) Information Technology Co., Ltd. (嗨皮(上海)信息技術有限公司), a limited liability company established in the PRC on August 28, 2018 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“Yunxiang Information”	Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (雲想數科(上海)信息技術有限公司), a limited liability company established in the PRC on August 29, 2019 and an indirectly wholly-owned subsidiary of our Company
“Zheng Han”	Zheng Han Bio-tech Research Co., Limited (正漢生物科技研發有限公司), a limited liability company incorporated in Hong Kong on February 14, 2017 and a directly wholly-owned subsidiary of our Company upon completion of the Reorganization

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

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

“ad creative”	the specific rendering of the ad content
“ad inventory”	traffic available on online media for advertising
“ad network”	an online marketing service provider that connects advertisers to content distribution platforms, aggregating and matching advertisers’ demands for marketing with available ad inventories from content distribution platforms
“ad performance”	advertising performance, the outcome of advertisements, such as downloads, installs, clicks or conversion rate of target consumers
“advertiser”	any persons, companies, organizations which advertise their brands, products and services through placing advertisements
“advertising agency”	an intermediary service provider in the online marketing industry acting as an agent to engage online publishers on behalf of advertisers to market their products and/or brands
“advertising campaign”	a set of advertisements that revolve around a single message and are intended to achieve a particular goal
“advertising space”	the space on websites or mobile apps available for advertisements, the price of which varies due to the specific location
“AI”	artificial intelligence
“API”	application programming interface, a set of routines, protocols and tools for building software applications
“app”	application software designed to run on smartphones and other mobile devices
“AR”	augmented reality
“BGP”	border gateway protocol, a standardized exterior gateway protocol designed to exchange routing and reachability information among autonomous systems on the internet
“big data analytics”	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions

GLOSSARY OF TECHNICAL TERMS

“CDN”	content delivery network, a system of distributed servers (network) that deliver pages and other web content to a user, based on the geographic locations of the user, the origin of the webpage and the content delivery server
“click-through”	the action that mobile device users click on the advertisements
“click-through rate”	the ratio of mobile device users who click on the advertisement to the number of total mobile device users who view the advertisement
“Client-cache”	a local cache synchronized with a remote clustered cache
“cloud-based”	applications, services or resources made available to users on demand via the internet from a cloud computing provider’s server with access to shared pools of configurable resources
“CPA”	cost per action, a performance-based pricing model where advertising is paid on the basis of each action of the mobile device user such as download, installation or registration.
“CPC”	cost per click, a performance-based pricing model where advertising is paid on the basis of each click of the advertisement
“CPM”	cost per mille, a non-performance-based pricing model where advertising is paid on the basis of thousand impressions
“CPT”	cost per time, a time-based pricing model where advertising is paid on a fixed price for a given period
“DAU”	daily active user, refers to the aggregate number of unique devices that accessed a website or mobile app on a given day. Multiple accesses from the same device are only counted as one DAU
“device ID”	a unique device-specific identifier used to accurately measure actions taken by a specific device
“DMP”	data management platform, a technology platform used for collecting and managing data, mainly for digital marketing purposes
“DPV”	daily page view, refers to the total number of visits to our <i>Huabian</i> website or its mobile terminal during a given day
“DSP”	demand side platform, a system that allows buyers of ad inventory to manage multiple advertising exchange accounts through one interface
“GB”	gigabytes, a unit of information used to quantify computer memory or storage capacity

GLOSSARY OF TECHNICAL TERMS

“GPU”	graphic processing unit
“gross billing”	the total monetary value we charge advertising customers for our services
“industry vertical”	a specific industry in which vendors offer goods and services to group of customers with specialized needs
“IP address”	Internet Protocol address
“KOL”	key opinion leaders
“KPI”	key performance indicator, the indicator that reflects the effectiveness and performance of the advertising campaign such as the number of new installations, downloads, registrations or sales
“MAU”	monthly active users, refers to the aggregate number of unique devices that accessed a website or mobile app in a given month. Multiple accesses from the same device are only counted as one MAU
“MCN”	multi-channel network, an organization that works with video platforms to offer assistance to a channel owner in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development, in exchange for a percentage of ad revenue from the channel
“media agent”	an intermediary service provider in the online marketing industry which does not own any content distribution platforms and acts as an agent to sell ad inventories on behalf of online publishers
“native advertisement”	a type of advertisement 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
“oCPM”	optimized cost per mille, an optimized bid setting that allows advertisers to set maximum bids for ad inventories to achieve their desired campaign outcomes by automatically adjusting campaign parameters, such as advertising space, frequency and reach
“pan-entertainment”	the broader scope of entertainment including but not limited to literature, music, film, video and other new forms of online and offline entertainment

GLOSSARY OF TECHNICAL TERMS

“performance-based advertisement”	performance-based advertisement is categorized from the perspective of the evaluation of advertising effect. In the context of performance-based advertisements, advertisers pay for advertising fees only when there are measurable results, such as downloads, installs, link clicks, purchases per landing page, etc. When performance-based pricing models, such as CPC and CPA, are applicable to our online marketing solutions and advertising spaces on our <i>Huabian</i> Platform, our results of operations will be affected by the advertising effect of such performance-based advertisements. The better advertising effect these performance-based advertisements achieve, the more advertising fees we will charge these advertisers
“PGC”	professionally generated content, any form of content created by experts in the relevant fields and made available on online publishers
“product placement”	a modern marketing strategy for brands to reach their target audiences to promote their products or services by embedding the goods or services in another form of media, usually a video production
“programmatic advertising”	the automatic buying and selling of ad inventories and automatic ad delivery through SDK or API
“PUGC”	professional user-generated content, produced by professional users, as complement to PGC and UGC
“PV”	page view, which refers to, with respect to our <i>Huabian</i> website and its mobile terminal, the aggregate number of pages visited by unique visitors to our <i>Huabian</i> website and its mobile terminal, counted once every time a web page is opened
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SDK”	software development kit, a set of software development tools that allows the creation of applications for a certain software package
“short video platform”	a platform focusing on facilitating creation and sharing of short-form videos, which range from seconds to minutes in duration and easily shared and accessed across the mobile internet
“splash screen”	the opening screen of a mobile app when the app is launching
“tag”	a keyword describing the characteristic assigned such as to audience or app

GLOSSARY OF TECHNICAL TERMS

“traffic”	the flow of internet users
“traffic of private media channel”	the volume of users that can be reached directly through private media, such as Weixin and user group, without payment, which is the circle that KOC (key opinion consumers) can radiate. The traffic can be reused without additional cost
“traffic of public media channel”	the volume of users that can be reached by way of content exposures on public platforms, most of which is one-time traffic
“UGC”	User-generated content, created by users of online publishers and made available on such online publishers
“UI”	user interface
“unique device”	a device with a unique device-specific identifier, a term used to avoid repeated counting when conducting operating data analytics
“user traffic consumption”	advertising expenses incurred based on the performance of advertisements
“visitor”	a person who visits a site or mobile app or web page at least once within the certain period
“4A advertising companies”	comprehensive multinational advertising agencies that are members of the American Association of Advertising Agencies

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “goals,” “going forward,” “intend,” “may,” “objective,” “ought to,” “outlook,” “plan,” “project,” “projection,” “schedules” “seek,” “should,” “target,” “vision,” “will,” “would,” and the negative of these words and other similar expressions, as they relate to our Group or our management) are not historical facts, but are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects, including our development plans for our existing and new services;
- our business development strategies and initiatives to implement these strategies;
- competition in, and the conditions of, the global and PRC entertainment and online marketing industries;
- our ability to maintain and strengthen our relationship with advertisers and online publishers;
- our ability to maintain competitive advantages on big data and AI-technologies;
- future developments, trends and conditions in the industries and markets in which we operate;
- government policies affecting the pan-entertainment and online marketing industries in China, including licensing, environmental and safety regulations, excise duties, and sales and other taxes;
- our ability to obtain, maintain, renew and comply with the requirements of licenses, permits and other governmental authorizations required to conduct our operations;
- our ability to attract, retain and develop qualified and skilled employees;
- exchange rate and interest rate fluctuations;
- general political and economic conditions in China and developments in the PRC legal system;
- the effects of the global financial market and economic condition;
- possible disruptions to commercial activities due to natural or human-induced disasters, including terrorist activities and armed conflict; and
- other operating risks and factors identified in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and in particular the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We acted as a middleman between advertising customers and Supplier A and relied on Supplier A to acquire user traffic for our advertisers during the Track Record Period. If we fail to maintain our business relationship with Supplier A or if Supplier A loses its leading market position or popularity, our business, financial condition and results of operations could be materially and adversely affected.

During the Track Record Period, we acquired user traffic from, and placed our advertisements on, Supplier A's major content distribution platforms. We commenced our business cooperation with Toutiao, a leading news and information platform, in June 2016, and with Douyin, a leading short video platform, in February 2017 when short video became a popular and effective type of social media. Our purchase from Supplier A, as a percentage of our total purchases of user traffic, was 40.5%, 86.4%, 88.3% and 87.1% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Particularly, according to iResearch, Douyin was the largest short video platform in terms of average DAUs in the PRC in 2019. Due to Supplier A's leading positions in its industries and popularity among audiences, on one hand, we rely on Supplier A to acquire target consumers for our advertisers in an effective and efficient way, and on the other hand, we are capable of attracting more advertising customers by leveraging Supplier A's well-established branding. For details regarding our relationship with Supplier A, see "Business — Top Customers and Suppliers — Top Suppliers — Supplier Concentration on Supplier A." According to iResearch, Supplier A had around 100 to 250 online marketing solutions providers that have direct contractual relationships with it in the first half of 2020. To the extent Supplier A ceases to cooperate with us or we fail to maintain our business relationship with Supplier A on comparable contract terms or at all, we will have to source new online publishers for our online marketing solutions business, which could materially and adversely affect our business, financial condition and results of operations.

Supplier A also grants to us rebates calculated primarily based on our gross spending. Such rebates as a percentage of our gross spending may fluctuate and are reviewed and adjusted from time to time by Supplier A. If Supplier A ceases to offer rebates to us or offer reduced rebates as a percentage of our gross spending, our business, results of operations, financial condition, liquidity and prospect may be materially and adversely affected.

In the event Supplier A loses its leading market positions, or becomes less attractive to audiences, it may lead to a significant decrease in their audience base, which in turn, would affect the reach and popularity of our advertisements and further affect their attractiveness to our advertisers. As a result, we may fail to retain existing advertising customers or attract new ones and our business, financial condition, and results of operations could be materially and adversely affected.

RISK FACTORS

Additionally, any negative publicity associated with Supplier A, or any negative development with respect to its market positions, financial condition, maintenance of its platform infrastructure or compliance with legal or regulatory requirements in the PRC, would have an adverse impact on the attractiveness of its platforms and effectiveness of our advertisements, which in turn would materially and adversely affect our reputation, business, financial condition, and results of operations.

Furthermore, we also rely on Supplier A's platforms to collect ad performance data to analyze and develop our own data graphs. By leveraging the massive data we collect and our big data analytics and AI capabilities, we can predict and identify target audiences whom our advertisements will likely interest. For details, see "Business — Our Technology — Our Big Data Analytics and AI Capabilities." If we fail to collect ad performance data from Supplier A, our ability to optimize ad campaign performance in a cost-effective way would be harmed, which in turn could materially and adversely affect our reputation, business, financial condition, and results of operations.

We have a short operating history, in particular, short video marketing solutions business, and are subject to risks and uncertainties associated with operating in a rapidly developing and evolving industry. Our rapid historical growth may not be indicative of our future performance.

We launched our pan-entertainment content services business in 2012 and online marketing solutions business in 2013, in particular short video marketing solutions in 2017, and have subsequently experienced rapid growth. Our revenue increased from RMB235.4 million in 2017 to RMB1,186.2 million in 2018, and further to RMB2,313.0 million in 2019, representing a CAGR of 213.5%. Our net profit increased from RMB33.0 million in 2017 to RMB69.5 million in 2018, and further to RMB72.9 million in 2019, representing a CAGR of 48.6%. We expect that we will continue to expand as our industry evolves and as we further grow our customer and supplier bases and explore new market opportunities, including our development and commercialization of big data analytics, AI and content production capabilities. However, due to our limited operating history, our historical growth rate may not be indicative of our future performance. Our future performance may be susceptible to certain risks discussed below, which could adversely affect our business and prospects and future performance, including:

- our ability to maintain, expand and further develop our relationships with advertising customers, media partners and content distribution partners and meet their increasing and changing demands and requirements;
- our ability to develop and produce quality ad creatives;
- the continued growth and development of the online marketing industry;
- our ability to maintain the technological advantages of our big data analytics and AI capabilities and keep up with the technological developments or new business models of the rapidly evolving online marketing industry;
- our ability to effectively manage our growth;
- our ability to understand and adapt to the changing regulatory environment;
- our ability to compete effectively with our competitors in the online marketing industry; and
- our ability to attract and retain qualified and skilled employees.

You should consider our business and prospects in light of the risks and uncertainties that we face as a fast-growing company operating in a rapidly developing and evolving market. We may not be successful in addressing the risks and uncertainties listed above, among others, which may materially and adversely affect our business and prospects and future performance.

RISK FACTORS

In addition, any adjustment to any of our business strategy may result in a fluctuation of our performance. For example, revenue generated from our pan-entertainment content service business decreased from RMB69.6 million in 2017 to RMB64.7 million in 2018 and to RMB30.7 million in 2019, and further decreased from RMB19.2 million in the six months ended June 30, 2019 to RMB8.6 million in the six months ended June 30, 2020, as we strategically shifted our focus to online marketing solutions business.

If online publishers transact with advertisers directly, we may be exposed to the risk of disintermediation.

As online marketing solutions provider, we help advertisers acquire user traffic from online publishers to market their products or services. We also provide value-added services, such as production of ad creatives and management of campaign performance, to advertisers to achieve better marketing effectiveness; while online publishers prefer to monetize their user traffic only rather than generate revenue from the provision of value-added services. In some cases, although it is more economically efficient for online publishers to monetize their user traffic and advertisers need online marketing solutions' value-added services to achieve better marketing effectiveness, there may be a risk that online publishers transact with advertisers directly circumventing online marketing solutions providers. For example, in 2020, customer E, which was our largest customer in 2018 and 2019 and contributed 18.6% and 28.4% of our total revenue in the same years, respectively, ceased to transact with us and began to place advertisements directly through Supplier A's short video platforms. For further details, please see "Summary — Summary of Historical Financial Information — Summary of Consolidated Statements of Profit or Loss — Revenue" and "Business — Top Customers and Suppliers — Top Customers." We cannot assure you that our advertising customers will not transact with online publishers directly in the future. Occurrence of such event may expose us to the risk of disintermediation, and our business, results of operations and financial position would be materially and adversely affected.

If we fail to retain the existing advertising customers, deepen or expand our relationships with the advertising customers, or attract new advertising customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We generate a substantial portion of revenue from our online marketing solutions and therefore, our business model requires us to retain and attract advertising customers. To retain and attract new advertising customers, we need to continue to provide increasingly precise marketing services that helps advertisers achieve their marketing goals effectively and efficiently.

We cannot assure you that we will successfully retain the existing advertising customers, deepen or expand our relationships with them or attract new advertising customers in the future. If our advertising customers determine that their expenditures on our online marketing solutions do not generate satisfactory returns, they may reduce their advertising budgets or terminate advertising arrangements with us as our advertising customers are typically not bound by long-term contracts. Failure to retain existing advertising customers or attract new advertising customers may materially and adversely affect our business, financial condition, results of operations and prospects.

If we fail to retain the existing media partners, deepen or expand our relationships with the media partners, or attract new media partners, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our success depends on our ability to retain the existing media partners, deepen or expand our relationships with them and attract new media partners in the future. To retain and attract new media partners, we need to continue to improve the monetization efficiency for our media partners. If our media partners are no longer satisfied with the monetization efficiency generated through us, they may reduce or

RISK FACTORS

discontinue cooperation with us and we would lose a portion or all of the advertising traffic through which we deliver advertisements for our advertising customers, as our media partners are typically not bound by long-term contracts. Media partners control the supply of advertising traffic and their processes may not always work in our favor. For example, online publishers may impose additional restrictions on the use of their traffic from time to time, including prohibiting the placement of advertisements of specific advertisers, such as their competitors. In the event that we lose media partners or access to their advertising traffic, we may not be able to serve our advertising customers in a timely manner or at all, and may incur significant costs in finding new media partners for advertising traffic, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We have no control over online publishers; if any inappropriate content is displayed on their platforms on which we place our advertisements, our reputation, business, financial conditions, results of operations and reputation may be materially and adversely affected.

We acquire user traffic from media partners to place our advertisements on the platforms of online publishers. We have no control over the content which appears on these publishers' platforms and are not able to ensure their compliance with applicable laws and regulations. If any inappropriate content is discovered on their platforms, our advertising customers may decide to pull out their advertisements from such platforms and these publishers may even be ordered by governmental authorities to suspend or terminate their operations. For instance, in April 2018, one of our major online publishers was suspended for a period of time to be downloaded by the relevant competent authority due to inappropriate content displayed on its platform. In the event that we are unable to identify suitable replaceable publishers in a timely manner, our scheduled advertising campaigns would be delayed or even cancelled, and our reputation, business, financial conditions, results of operations and reputation may be materially and adversely affected.

We face potential liability and harm to our business due to the nature of our business and the content of our advertisements.

Advertising may result in dispute relating to copyright or trademark infringements, public performance royalties or other claims based on the nature and content of advertising that is produced by or distributed through us. Under the Advertising Law of the PRC (《中華人民共和國廣告法》) (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 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. As our online marketing solutions involve provision of “advertisement design, production and agency services” to advertisers, we are deemed as an “advertising operator” under the Advertising Law. As a result, we are obligated to ensure that the advertising content produced by, or distributed through us is true, accurate and in full compliance with applicable laws and regulations. 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. Although we have an in-house legal and compliance department to review the advertising content that we distribute through our platforms or produce before delivering such content through our media partners, there can be no assurances that each advertisement that we distribute or produce and place with our media partners complies with all applicable PRC laws and regulations, or that supporting documentation

RISK FACTORS

provided by our advertising customers is authentic or complete. For the advertising content that are provided by our advertising agencies directly, though we contractually require our advertising agencies to represent to us that they ensure their advertisements comply with all applicable laws and regulations, we cannot assure you that they will make adequate measures to do so. If any of these representations are untrue, we may be exposed to potential liability and our reputation may be harmed. While our advertising customers are typically obligated to indemnify us, such indemnification may not fully cover our damages, including reputation damage or we may not even be able to collect the payments from such customers.

Increased governmental regulation of content platforms may subject us to penalties and other administrative actions.

We are subject to PRC laws and regulations with respect to online content production and distribution. Failure to comply with these laws and regulations may subject us to monetary penalties and/or other legal consequences. Recently, PRC government authorities have strengthened their oversight of content platforms similar to our *Huabian* platforms. Other than the content that is considered to be violating PRC laws and regulations, such oversight has tended to pay more attention to content that is or may be deemed misleading, obscene, pornographic, detrimental, and/or contrary to social values and morals prevailing in China, which content may subject the platform's operator to penalties and other administrative actions. For example, in April 2018, a platform that provides entertainment-oriented content was ordered by the NRTA to permanently cease its operation for delivering content that was considered to be vulgar and "deviating from mainstream values."

Government regulation of content and of content platforms generally may broaden in scope and oversee additional aspects of content platforms' operation, such as information security, user suitability management, anti-addiction, and sales and marketing, in addition to being strengthened and becoming stricter than before as to content and advertising. Any such new or broadened regulatory measures or oversight may cause us to incur higher compliance costs, change or adjust our operational strategies, target visitor groups, or promotional models, and thereby adversely affect our business and results of operations. We cannot assure you that our future content will not be deemed as violating relevant laws and regulations or inappropriate and be held for liabilities by relevant authorities.

If we fail to acquire new visitors or retain existing visitors for our *Huabian* Platform, or if visitor engagement on our platform declines, our business, results of operations and financial condition may be materially and adversely affected.

The growth of our visitor base and the level of visitor engagement are critical to the success of our pan-entertainment content services business. During the Track Record Period, the number of PVs of our *Huabian* Platform reached 6.3 billion, while our average DAUs reached more than 3.0 million and average MAUs reached more than 91.9 million, respectively. Our business has been and will continue to be significantly affected by our success in growing the number of visitors and increasing their overall level of engagement on our platforms. To the extent that our visitor growth rate slows, our success will become increasingly dependent on our ability to increase visitor engagement with our platforms. Our visitor engagement efforts, including by increasing the number of content providers and content distribution partners, expanding the breadth and enhancing the quality of content on our platforms, diversifying into new content formats, and strengthening our content recommendation capabilities, may also not achieve expected results. Visitors may no longer perceive content on our platforms to be entertaining and relevant, and we may not be able to attract visitors or increase their visiting frequency of our platforms. If we fail to execute any such new initiatives successfully or in a cost-effective manner, our business, results of operations and financial condition would be materially and adversely affected. If we are unable to grow our visitor base or the level of visitor engagement, or if the number of visitors or their level of engagement declines, this could result in our platforms being less attractive to potential new visitors and thus advertising customers may reduce part or all of their spending on our *Huabian* Platform, which would have a material and adverse impact on our business, results of operations and financial condition.

RISK FACTORS

If the online marketing industry fails to continuously develop and grow, or if the online marketing industry develops or grows at a pace slower than expected, our profitability and prospects may be materially and adversely affected.

Our business and prospects depend on the continuing development and growth of the online marketing industry as we derive substantially all of our revenue from our advertising customers. Our profitability and prospects may be thus affected by a number of factors, many of which are beyond our control, including:

- technological innovation or new business models of the online marketing industry or the evolving requirements and demands of our advertising customers;
- degree of acceptance of online marketing as an effective marketing channel and the emergence of alternative marketing channels;
- changes in governmental regulations or policies affecting the online marketing industry; and
- the growth of the global internet industry in general.

There can be no assurances as to the development and growth of the online marketing industry. Our business, financial conditions, results of operations and prospects may be materially and adversely affected if the online marketing industry fails to continuously develop and grow, or develops or grows at a pace slower than expected.

Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

Our PRC subsidiaries and our Consolidated Affiliated Entity are subject to the statutory EIT rate of 25%, except Netjoy Network and Quantum Culture Media. Netjoy Network was recognized as a “software enterprise” and thus enjoyed full EIT exemption for the first two years after becoming profitable and a 50% EIT reduction (namely, a preferential EIT rate of 12.5%) for the subsequently three years. Netjoy Network was also recognized as a “high and new technology enterprise” by the local government authority and thus was entitled to a preferential EIT rate of 15%. During the Track Record Period, we chose to be subject to the preferential EIT treatment as a “software enterprise” and as a result, Netjoy Network enjoyed EIT exemption in 2015 and 2016 and was entitled to a preferential EIT rate of 12.5% from 2017 to 2019. Netjoy Network will be entitled to a preferential EIT rate of 15% as a “high and new technology enterprise” starting from 2020. The recognition of Netjoy Network as a “high and new technology enterprise” remains subject to the renewal upon its expiration in November 2021, and we cannot assure you that Netjoy Network will be able to successfully renew it upon the expiration. In addition, Quantum Culture Media has been recognized as primarily engaging in the encouraged business specified in the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Income Tax (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄(試行)》) and thus is eligible for EIT exemption from 2017 to 2020. As a result, we recorded tax reduction of RMB5.5 million, RMB12.6 million, RMB18.8 million and RMB13.3 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our effective income tax rate was 6.7%, 6.9%, 7.8% and 6.1% for the same periods, respectively. Had Netjoy Network and Quantum Culture Media not enjoyed such preferential tax treatment during the Track Record Period, our income tax expense would be RMB7.9 million, RMB17.7 million, RMB25.0 million and RMB17.0 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. In addition, we also recorded additional deduction on research and development expenses of RMB1.0 million, RMB1.2 million, RMB1.6 million and RMB0.8 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, for EIT deduction purpose according to the EIT Law and the relevant regulation.

RISK FACTORS

The PRC government has also granted us financial subsidies, comprising primarily VAT rebates and research and development grants, to support our operations. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we recorded government grants of RMB0.1 million, RMB0.6 million, RMB13.3 million and RMB10.5 million, respectively, in our consolidated statements of profit or loss. Please see “Financial Information — Description of Key Statements of Profit or Loss Items — Other Income and Gains.” The research and development grants were given in 2018, 2019 and the six months ended June 30, 2020 on a one-off basis and at the discretion of the local government authorities. The VAT rebates are granted by the STA to modern services enterprises and are effective from April 1, 2019 to December 31, 2021.

Our EIT exemption and VAT rebates will expire on December 31, 2020 and December 31, 2021, respectively, which may adversely affect our results of operations and financial condition. There can be no assurances that we would continue to enjoy these preferential tax treatment or financial subsidies at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

If we are unable to keep pace with the rapid technological changes in the industries where we operate, our business may suffer.

The online marketing industry, and the internet industry in general, are characterized by constant changes, including rapid technological evolution, continual shifts in customer demands and constant emergence of new market trends. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. For example, according to iResearch, since 2017, short video marketing, which is easier to capture the attention of target customers and able to deliver more digestible information, has been gaining increasing popularity among advertisers than text and image advertising. As a result, our gross billing generated from short video marketing solutions accounted for approximately 14.5%, 73.5%, 87.1% and 89.2% of our total gross billing generated from online marketing solutions business in 2017, 2018, 2019 and the six months ended June 30, 2020. If we fail to meet the evolving customer needs and to introduce market-accepted services for our existing and potential customers, we could lose our customers and our competitive position.

Our technological capabilities and infrastructure underlying our *Huabian* Platform and online marketing solutions are critical to our success. We need to anticipate the emergence of new technological developments and assess their market acceptance. New developments in big data analytics, AI and programmatic advertising could render our technologies, platforms or solutions obsolete or unattractive. There can be no assurances that we will be able to keep with such new technological developments in an efficient and cost-effective manner, which may have a material and adverse effect on our business, results of operations and financial condition.

Furthermore, the design of internet devices and operating systems is controlled by third parties with whom we do not have any formal relationship. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also restrict our ability to access specific content on internet devices. If we fail to adapt to new generations of internet devices and operating systems, our 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

Our investments in the development of our infrastructure and technologies may not be successful, which may have an adverse impact on our financial conditions and profitability.

To adapt to the evolving online marketing industry and to keep up with the continuous technological developments or new business models, we need to invest substantial financial and human and other resources in information technology infrastructure and technologies. Please see “Business — Research and Development” for more details. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our research and development expenses amounted to RMB5.5 million, RMB6.9 million, RMB9.9 million and RMB4.4 million, respectively, accounting for approximately 2.3%, 0.6%, 0.4% and 0.5%, respectively, of our total revenue for the same periods. Our investments in the development of our infrastructure and technologies may not be successful due to a variety of reasons such as technical hurdles, inaccurate predictions of market demand and trends or a lack of necessary resources. Such unsuccessful investments may result in the failure to upgrade our infrastructure and technologies which may in turn reduce our profitability and have an adverse impact on our financial conditions.

If we do not effectively manage our growth, our operating performance may deteriorate and we may lose advertising customers.

We have experienced rapid growth in terms of our revenue, the number of our advertising customers and our employees during the Track Record Period. We expect continued growth in our business through organic growth and acquisitions or strategic alliances. Our expansion has placed, and will continue to place, substantial demands on our managerial, operational, technological and other resources. Our planned expansion will also require us to maintain the consistency of our service offerings to ensure that our market reputation and position do not suffer as a result of any deviations, whether actual or perceived, in the quality of our service offerings. Our future results of operations depend to a large extent on our ability to manage this expansion and growth successfully. In particular, continued growth may subject us to the following additional challenges:

- challenge in ensuring the productivity of a large employee base and the recruitment, training and retaining of highly skilled personnel, including sales and marketing, research and development, and operational specialists for our growing operations;
- challenge in successfully improving and upgrading our online marketing solutions to accommodate the evolving demands and requirements of our advertising customers;
- challenge in successfully improving our big data analytics and AI capabilities to achieve better marketing performance;
- challenge in maintaining effective operational, financial and management controls; and
- challenge in responding to evolving industry standards and governmental regulations that impact our growing business, particularly in the areas of data protection and privacy.

There can be no assurances that our current technologies, procedures, resources and controls will be adequate to support our contemplated growth. If we fail to manage our growth effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

We rely on the supply of advertising traffic from our media partners to place advertisements for our advertisers. Our traffic acquisition costs amounted to RMB184.3 million, RMB1,072.5 million, RMB2,134.5 million and RMB700.6 million for the years ended December 31, 2017, 2018 and 2019 and

RISK FACTORS

the six months ended June 30, 2020, respectively, accounting for approximately 99.3%, 99.5%, 99.2% and 98.3% of our total cost of sales, respectively, for the same periods. Traffic acquisition costs accounted for a significant portion of our cost of sales and any increase in traffic acquisition costs may impact our profitability and our business, financial condition and result of operations.

In addition, we have expended significant resources to grow our business in recent years by enhancing our technology capabilities and infrastructure and growing the number of our employees. Specifically, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our total research and development expenses amounted RMB5.5 million, RMB6.9 million, RMB9.9 million and RMB4.4 million, respectively, while our employee expenses and benefits amounted to RMB7.4 million, RMB17.1 million, RMB44.5 million and RMB22.6 million, respectively. We anticipate continued growth that could require substantial financial and other resources to, among others:

- invest in our infrastructure and improve our big data analytics and AI capabilities;
- invest in our sales and marketing team to increase our advertising customer and media partner base;
- unleash the monetization potential of our content production capability and offer full cycle services;
- pursue strategic investment, partnership and acquisition opportunities to expand our businesses; and
- cover administrative expenses and expenses relating to data protection and other compliance matters.

Our expenditures may not yield the anticipated returns or benefits to our business, and if we fail to effectively manage our costs and expenses, we may not be able to sustain profitability.

The online marketing industry in which we operate is highly competitive. If we fail to compete effectively against our competitors, we could lose advertising customers and media partners, and our revenue may decline.

As demands for online marketing solutions business continue to increase, we expect new competitors to enter the market and existing competitors to allocate additional resources to the market. As a result, we expect competition in the online marketing industry to intensify. Our competitors primarily include DSPs, PGC and MCN providers, 4A advertising companies and advertising agencies, and to a lesser extent, certain online publishers that provide online marketing services. We also compete for advertisers' overall marketing spending with direct marketing, print advertising companies and traditional media such as television, radio and cable companies. Our ability to compete successfully depends on many factors, including price, return on advertising spending, availability of quality advertising traffic, the effectiveness of technologies and the quality of customer services. If these factors are unfavorable to us, we may not be able to compete effectively or maintain our market position.

Certain of our existing and future competitors may have longer operating histories, broader reach of advertising customers and media partners and significantly greater financial, technical and marketing resources than we do. These competitors may engage in more extensive research and development and sales and marketing efforts than we can and develop or promote services that are similar to or better than ours. In addition, any increased competition is likely to result in reduced price and margin or a loss of our market leading position, any of which could cause us to lose advertising customers or media partners, which in turn may adversely affect our revenue. Occurrence of any of the above events may materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

We may face certain risks in collecting our trade receivables, and the failure to collect could have a material adverse effect on our business, financial condition and results of operations.

As of December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our trade receivables were RMB98.5 million, RMB380.3 million, RMB457.0 million and RMB366.0 million, respectively. Our trade receivables turnover days were 55.6 days, 52.2 days, 45.1 days and 47.5 days, respectively, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. We recorded impairment losses on trade receivables of RMB1.9 million, RMB3.3 million, RMB29.6 million and RMB4.0 million for the same periods, respectively. As our business continues to scale, our trade receivables balance may continue to grow, which may increase our risks for uncollectible receivables. We generally do not require collateral or other security from our customers. Actual losses on trade receivables balance could differ from those that we anticipate and provide as impairment, as a result we might need to adjust our provision of impairment. Macroeconomic conditions could also result in financial difficulties for our advertising customers, including limited access to the credit markets, insolvency or bankruptcy, and COVID-19, and as a result could cause our advertising customers to delay payments to us, request modifications to their payment arrangements or default on their payment obligations to us. Under certain circumstances, we may have to sue our advertising customers for outstanding payments, which may cost our additional resources for the litigations. If we are unable to collect our trade receivables from our advertising customers, our business, financial condition and results of operations may be materially and adversely affected.

We had recorded negative cash flow from operating activities during the Track Record Period and may be subject to liquidity risks, which could constrain our operational flexibility and materially and adversely affect our business, financial condition and results of operations.

We recorded negative operating cash flow of RMB113.9 million and RMB4.0 million, respectively, in 2018 and 2019. Our operating cash outflow was primarily due to the relatively longer credit terms we granted to our clients than those media partners granted to us. For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows — Operating Activities.”

We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Inability to generate sufficient future taxable profits or adverse changes to tax laws or regulations could have a negative impact on the recoverability of our deferred tax assets, which may affect our financial position in the future.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recorded deferred tax assets of RMB0.5 million, RMB1.4 million, RMB12.9 million and RMB13.3 million, respectively, mainly relating to provisions for trade receivables. Please see Note 17 to the Accountants’ Report in Appendix I to this prospectus for the movements of our deferred tax assets during the Track Record Period. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses can be utilized. This requires significant judgment on the tax treatments of certain transactions and an assessment of the probability that adequate future taxable profits will be available for the deferred tax assets to be utilized. If our operating subsidiaries generate lower taxable profits than the amount we have assumed in determining our deferred tax assets, then the value of our deferred tax assets will be reduced.

RISK FACTORS

In addition, assumptions regarding the future recoverability of deferred tax assets depend on our management's estimates of future taxable profits in accordance with the tax laws and regulations applicable to our operating subsidiaries in the countries in which they operate. If our management determines that the carrying amount of any of our deferred tax assets may not be recoverable pursuant to such prevailing tax laws or regulations, the recoverable amount of such deferred tax assets may be impaired.

Our large prepayments to major suppliers may involve significant uncertainty. Failure to recover our prepayments in part or in full could have a material and adverse impact on our business and financial position.

During the Track Record Period, we made significant prepayments to leading online publishers for traffic acquisition. The balance of our prepayments for purchases of traffic as of December 31, 2017, 2018 and 2019 and June 30, 2020 was RMB9.0 million, RMB19.0 million, RMB82.1 million and RMB129.0 million, respectively. If the amounts of prepayments paid to major online publisher suppliers for traffic acquisition increase significantly in the future, we may be exposed to credit and liquidity risks as well as working capital insufficiency caused by the timing mismatch between prepayment for purchases of traffic and the collection of trade receivables. If the unit price or material terms of user traffic are materially altered, we may be subject to price pressure and may incur more traffic acquisition costs than we expected. If our suppliers fail to provide relevant traffic resources to us in a timely manner or at all, we may be exposed to prepayment default risk, which may in turn materially and adversely affect our business and financial position. Moreover, any material adverse change to the business, results of operations or financial condition of these suppliers may subject us to prepayment default risks and have an adverse impact on us.

We may not fully recover our value-added tax recoverables, which may affect our results of operations and financial position.

We recorded value-added tax recoverable of nil, RMB0.5 million, RMB11.5 million and RMB22.8 million as of December 31, 2017, 2018, 2019 and June 30, 2020, respectively. The amount of input value-added taxes and output value-added taxes are determined by the applicable value-added tax rate in effect during the periods when the purchases from our suppliers or sales to our customers are made. As the recoverability of deductible input value-added tax is dependent on the then effective applicable value-added tax rate, there is no assurance that the deductible input value-added tax can be utilized. If there is a lack of payment by customers or an adjustment of the effective applicable value-added tax rate, the output value-added tax may be in shortfall, and we may have to write down the deductible input value-added tax, which may have an adverse impact on our results of operations and financial position.

We are exposed to fair value changes for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

During the Track Record Period, we purchased low-risk financial assets at fair value through profit or loss, which represented wealth management products that do not have a stated maturity and are redeemable at will issued by PRC commercial banks, because we believe we can make better use of such cash by making appropriate short-term investments to enhance our income without interfering with our normal business operation or capital expenditures. As of June 30, 2020, our financial assets at fair value through profit or loss amounted to RMB42.0 million. The fair value of financial assets at fair value through profit or loss are valued by discounting their future cash flows based on expected interest rate disclosed by the issuing banks, and net changes in their fair value are recorded as our operating income or loss, and therefore directly affects our results of operations. We did not incur any fair value losses for financial assets at fair value through profit or loss during the Track Record Period. However, we cannot

RISK FACTORS

assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We may not be able to provide online marketing solutions to our advertising customers in a timely manner or at all, which may subject us to refund of online marketing solutions service fees.

We derive revenue mainly from providing online marketing solutions to advertising customers. Under certain circumstances, including where leading online publishers require prepayments, we may require online marketing solutions service fees to be paid by our advertising customers in advance prior to the provision of the relevant underlying services, which are initially recorded as contract liabilities and are recognized as revenue when the relevant services are rendered to our advertising customers. We recorded contract liabilities of RMB5.0 million, RMB16.3 million, RMB37.4 million and RMB62.8 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The delivery of our services to our advertising customers may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters. In such events, we may be unable to fulfil our obligation in respect of the contract liabilities and may need to refund a portion or all of our contract liabilities not yet recognized as revenue to our advertising customers, which could result in an adverse impact on our cash flows generated from operating activities. In the event we are unable to successfully render services to our advertising customers in the future, we may be subject to claims to refund a portion or all of our contract liabilities, which could materially and adversely affect our business, results of operations and financial condition.

Limitations on our ability to collect and use data, or challenges to our right to collect and use such data, could significantly diminish the value of our technologies and services and cause us to lose advertisers, and harm our business and results of operations.

We collect device-specific data, which includes device ID, IP address, ad performance data and other behavioral data primarily through the online publishers and our *Huabian* platforms, but we generally do not collect or store personal data such as legal name, phone number and personal ID. Please see “Business — Our Technology — Data Sources” for more details. In order to plan and optimize our advertising campaigns and effectively manage our *Huabian* platforms, we need to access and analyze such data. Certain online publishers may prohibit or limit our collection or use of such data, depending on their own internal data privacy policy or our relationships with them. Operating systems or certain apps may also impose technical restrictions on our ability to legally collect device-specific data. Our operations largely depend on our big data analytics. Interruptions, failures or defects in our data collection, as well as privacy concerns regarding the collection of device-specific data, could also limit our ability to analyze such device-specific data. In addition, there can be no assurances that the government will not adopt legislation that prohibits or limits collection of device-specific data on the internet and the use of such data, or that third parties will not bring lawsuits against us relating to internet privacy and data collection. Due to the recent development of laws and regulations on data protection and privacy, online publishers will be subject to more stringent requirements on data sharing with us, which may limit our ability to collect data from them. If any of the above occurs, we may be unable to provide effective services and lose advertising customers, and our business, financial condition and results of operations would be adversely affected. Lawsuits or administrative inquiries could also be costly and divert management resources, and the outcome of such lawsuits or inquiries may be uncertain and may harm our business.

If we are provided with inaccurate or fraudulent data, it may have an adverse impact on our business, results of operations and reputation.

We depend on the accuracy and genuineness of ad performance data and other data provided by our advertising customers and media partners in evaluating the effectiveness of campaign performance and

RISK FACTORS

determining the service fees that we receive from our advertising customers and the traffic acquisition costs that we pay to our media partners. We are not contractually required to verify the ad performance data reported by our media partners. Our advertising customers may engage Independent Third Party data tracking platforms to verify the ad performance data, the cost of which shall be borne by themselves, and any discrepancy discovered pursuant to any such data verification shall be settled between our advertising customers and our media partners directly. If the ad performance data or other data provided by our advertising customers and media partners is inaccurate or fraudulent, we will neither be able to improve audience targeting precision nor achieve better campaign performance for our advertising customers. If our system fails to detect fraudulent ad performance data or other inaccurate data, we may have to pay unnecessary traffic acquisition costs to media partners based on these fraudulent data, and advertising customers may refuse to pay us service fees due to the ineffectiveness of the advertising campaigns, which could result in disputes with our advertising customers or media partners, harm to our reputation and loss of our advertising customers and media partners, and adversely affect our business, results of operations and financial conditions.

Our business is subject to complex and evolving laws and regulations. Many of these laws and regulations are relatively new and subject to changes and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

The online marketing industry in which we operate in is relatively highly regulated and we are subject to a variety of laws and regulations that involve matters vital to our business, including, among others, data security and privacy, content, intellectual property, advertising, marketing, distribution, electronic contracts and communications, telecommunications, product liability and taxation. The introduction of new services, or other actions that we may take to expand or diversify our businesses may subject us to additional laws, regulations, or other government scrutiny.

These laws and regulations are constantly evolving and can be subject to significant changes. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently. There are also currently several proposals pending before legislative and regulatory bodies that could impose new obligations in areas affecting our business. For details, see “Regulatory Environment — Regulations Related to Foreign Investment — Regulation related to Foreign-Invested Enterprises.”

In particular, the PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law (《中華人民共和國反壟斷法》). In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization (《關於反壟斷授權執法的通知》), which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the SAMR issued Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires, under the PRC Anti-monopoly Law, operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. In November 2020, the State Administration for Market Regulation, or the SAMR, published a discussion draft of the Guideline on Anti-monopoly of Platform Economy Sector (《關於平臺經濟領域的反壟斷指南(徵求意見稿)》) (the “**Draft Guideline**”), aiming to improve anti-monopoly administration on online platforms. The released Draft Guideline, if enacted, will operate as a compliance guidance under the existing PRC anti-monopoly laws and regulations for platform economy operators. As advised by our PRC Legal Advisors, the Draft Guideline was released for public comment only, and its operative provisions and the anticipated adoption or

RISK FACTORS

effective date may be subject to change with substantial uncertainty. Although it is impossible to predict the impact of the Draft Guideline, if any, at this stage, we will closely monitor and assess the trajectory of the rule-making process. Currently, the Draft Guideline has no material adverse impact on our business, financial condition and results of operations. However, in the event that a final version of the Draft Guideline is adopted and in light of the substantial uncertainty over the Draft Guideline, we may face challenges in addressing its requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. Any failure or perceived failure by us to comply with the enacted version of the Draft Guideline and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations. See “Summary — Recent Developments — Recent Developments on Our Regulatory Environment.”

These laws and regulations, as well as any associated inquiries or investigations or any other governmental actions, may be costly to comply with and may result in negative publicity, increase our cost of sales, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

In addition, we need requisite approvals, licenses and permits to conduct our online marketing solutions business. There can be no assurances that we will be able to maintain and renew our existing approvals, licenses and permits or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits, or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among others, to levy fines, confiscate our income, revoke our business licenses, require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

Any breaches to our security measures, including unauthorized access, computer viruses and hacking, may adversely affect our database, reduce use of our services and damage our reputation and brand names.

The volume of data that we process and store makes us an attractive target and potentially vulnerable to cyberattacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have established mechanisms to protect our database, our security measures could be breached. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate and timely preventative measures. Any accidental or willful security breaches or other unauthorized access to our database could cause confidential information to be stolen and used for illegal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability relating to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our information technology infrastructure are exposed and exploited, our relationships with our advertising customers and media partners could be severely damaged, we could incur significant liability and our business and operations could be materially and adversely affected. The PRC Network Security Law (《中華人民共和國網路安全法》), effective on June 1, 2017, stipulates that a network operator, including value-added telecommunications services providers, among others, must adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. While we have adopted comprehensive measures to comply with the applicable laws, regulations and

RISK FACTORS

standards, there can be no assurances that such measures will be effective. If we were found by the governmental and regulatory authorities to have failed to comply with the PRC Network Security Law and other similar applicable laws and regulations, we would be subject to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, shutdown of our database or even criminal liability and our business, financial condition and results of operations would be materially and adversely affected.

Interruption or failure of our information technology infrastructure could impair our ability to provide our services to our advertising customers, which could cause us to lose advertising customers and media partners, and harm our business and results of operations.

Our business depends partly on the performance, reliability and stability of our information technology infrastructure. We may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, capacity constraints due to an overwhelming number of visitors accessing our *Huabian* platforms simultaneously, computer viruses, fraud and security attacks. Any interruption or failure of our information technology infrastructure to function properly could hinder our ability to handle existing or increased traffic on our *Huabian* platforms, impair our ability to effectively deliver advertisements and provide our online marketing solutions, and cause loss of advertising customers, media partners, data assets and trade secrets, disruption to our research and development activities, transaction errors and processing inefficiencies, all of which may have a negative impact on our business operations and reputation. Our business depends as well 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. 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.

In addition, since we rely on online publishers to deliver our advertisements, any interruption or failure of their information technology and communications systems may undermine the effectiveness of our services and cause us to lose advertising customers.

Our intellectual property may be infringed by unauthorized third parties and we may not be able to protect our intellectual property rights effectively.

We regard our data assets, proprietary technologies, software copyrights, trademarks, domain names, know-how and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and Contractual Arrangements, including confidentiality and non-compete agreements with our employees and others, to protect our proprietary rights. For details, see "Business — Intellectual Property." Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. It may be difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to protect our intellectual property rights or to enforce our contractual rights effectively and timely. Preventing any unauthorized use of our intellectual property is difficult and costly and the measures we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurances that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. We may be from time to time in the future subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our services or other aspects of our business without our awareness. If any third-party infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how and other intellectual property rights are evolving and may be uncertain, and we cannot assure you that courts or regulatory authorities would agree with our legal analysis. If we were found to have violated the intellectual property rights of third parties, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and financial condition may be materially and adversely affected.

Our business is subject to seasonal fluctuations which could have a material impact on our revenue, cash flow and operating results.

Our revenue, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of the advertisers' spending on advertising campaigns. For example, e-commerce advertisers tend to allocate a larger portion of their advertising budgets around holiday seasons and shopping events when consumers tend to spend more, while online gaming advertisers may adjust their advertising timing according to the launch of their new games. Moreover, ad inventories in holiday seasons may be more expensive due to increased demands. Historically, the second half, especially the fourth quarter, of each calendar year generally contributes the largest proportion of our revenue and the first quarter of each calendar year generally contributes a smaller portion of our revenue. Please see "Business — Seasonality" for more details. As a result, our quarterly results may not be comparable to the corresponding periods of prior years, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations. Our historical revenue growth has masked the impact of seasonality, but if our growth rate declines or seasonal spending becomes more pronounced, seasonality could have a material impact on our revenue, cash flow and operating results from period to period.

Our limited insurance coverage could expose us to significant costs and business disruption.

Insurance companies in China generally do not offer as extensive an array of insurance products as they do in countries with more developed economies. To the best of our Directors' knowledge, no insurance products that have been specifically designed for protecting the risks related to the Contractual Arrangements have been made available on the market. In line with general industry practice in China, we do not maintain business interruption insurance, key man life insurance, any insurance for our information technology infrastructure and systems or any insurance for our leased properties.

Any disruption in our information technology infrastructure or business operations, litigation or natural disasters may result in our incurring substantial costs and the diversion of our resources, and we have no insurance to cover such losses. As a result, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations and financial condition. We may receive formal and informal inquiries from governmental authorities and regulators regarding our compliance with applicable laws and regulations, many of which are evolving and subject to interpretation. Claims arising out of actual or alleged violations of laws could be asserted against us by our advertising customers, media partners, competitors, governmental entities in civil or criminal investigations and proceedings or other third parties. These claims could be asserted under a variety of laws, including but not limited to advertising laws, internet information services laws, intellectual property laws, unfair competition laws, data protection and privacy laws, labor and employment laws, securities laws, real estate laws, tort laws, contract laws, property laws and employee benefit laws. We may also be subject to lawsuits due to actions by our media partners or advertising customers.

There can be no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions may expose us to negative publicity, substantial monetary damages and legal defense costs, injunctive relief, and criminal and civil fines and penalties, including but not limited to suspension or revocation of our licenses to conduct business.

The continuing and collaborative efforts of our senior management and other key personnel are crucial to our success, and our business may be harmed if we lose their services.

Our business operations depend on the continued services of our senior management team and other key personnel, some of whom have been with us since our inception. In particular, we rely on the expertise, experience and leadership of our co-founders, Mr. Wang and Mr. Xu, who have on average ten years, respectively, of industry experience and have worked for leading technology and internet companies. Please see “Directors and Senior Management” for more details about our senior management team.

If one or more of our key personnel were unable or unwilling to continue to serve in their present positions, we may not be able to find suitable replacements, our future growth may be constrained, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, although we have entered into confidentiality and non-compete agreements with our key personnel, there can be no assurances that none of our key personnel will join our competitors or form a new competing business. If any dispute arises between our current or former key personnel and us, we may have to incur substantial costs and expenses to enforce such agreements or we may not be able to enforce them at all.

Our future success depends on our ability to attract, hire, retain and motivate highly skilled employees and increases in employees’ wages and benefits may adversely affect our business and ability to sustain profitability.

As of June 30, 2020, we had a total number of 290 employees. We believe our future success depends on our continued ability to attract, hire, retain and motivate qualified and skilled employees. In particular, experienced experts are critical in improving our infrastructure and technologies and optimizing our operations. Competition for recruitment of highly skilled professionals is extremely intense, which could also increase our costs to attract and retain talented employees. The average

RISK FACTORS

compensation level for our employees generally increased during the Track Record Period and are expected to continue to grow. We may not be able to hire and retain our skilled employees at compensation levels consistent with our existing compensation level and structure. Some of the companies with which we compete for experienced employees may have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and resources in training our employees to ensure their competitiveness, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training new employees, and our ability to provide our services consistently could diminish, resulting in a material adverse effect on our business and ability to sustain profitability.

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

Although we believe that our anticipated cash flows from operating activities, together with cash on hand and net proceeds from the Global Offering, will be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for the next twelve months, we cannot assure you this will be the case. We may need additional cash resources in the future if we experience changes in current conditions or pursue business expansions. We may also need additional cash resources in the future if we pursue opportunities for investments, acquisitions or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholding. The incurrence of indebtedness would result in increased fixed obligations and could result in operational and financial covenants that would restrict our operations. We have historically used bank borrowings to partially finance our operations. We cannot assure you that additional financing will be available in amounts sufficient or on terms acceptable to us, if at all.

We face risks relating to natural and man-made disasters, acts of war and health epidemics.

Our business could be materially and adversely affected by natural and man-made disasters, acts of war, health epidemics, such as the human swine influenza (H1N1), H5N1 avian flu and coronavirus disease 2019 (COVID-19), or other public safety concerns. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the national economy in general. Our headquarters is located in Shanghai, where most of our management and employees currently reside. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Shanghai or other cities where our other offices are located, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

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

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the Cayman Islands Companies Law, our Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes

RISK FACTORS

according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the provision of “value-added telecommunications services” and “radio and television program production and operation services.” In particular, under the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)》(2019年版)), foreign investment in value-added telecommunications businesses is restricted where foreign equity interest in such value-added telecommunications services provider shall not exceed 50%, and foreign investment in radio and television program production and operation business is prohibited. For details, see “Regulatory Environment — Regulations Related to Foreign Investment — Regulations related to Foreign Investment Industrial Policy.”

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People’s Congress approved the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”), which became effective on January 1, 2020. According to the FIL, the “foreign investment” refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as “**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. For details, see “Regulatory Environment — Regulations Related to Foreign Investment — Regulation related to Foreign-Invested Enterprises.”

The Company was incorporated under the laws of the Cayman Islands, and Yunxiang Information, our wholly-owned PRC subsidiary, is considered as a foreign-invested enterprise and thereby shall be subject to the FIL. To comply with the PRC laws and regulations, we conduct our online marketing solutions and pan-entertainment content services business which involve “value-added telecommunications services” and “radio and television program production and operation services” in the PRC through Netjoy Network, based on the Contractual Arrangements, which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of Netjoy Network; (ii) receive substantially all of the economic benefits from Netjoy Network in consideration for the services provided by the Yunxiang Information; and (iii) have an exclusive option to purchase all or part of the equity interests and assets of Netjoy Network when and to the extent permitted by PRC law, or request Netjoy Network or any existing shareholder(s) of it to transfer any or part of the equity interest and assets of Netjoy Network to another PRC person or entity designated by us at any time at our discretion. Because of these Contractual Arrangements, we are the primary beneficiary of Netjoy Network and hence treat Netjoy Network as our consolidated affiliated entity, and consolidate its and its subsidiaries’ results of operations into ours. Our Consolidated Affiliated Entity holds the licenses, approvals and key assets that are essential for our business operations.

In the opinion of our PRC Legal Advisors, (i) the ownership structures of our Company, Yunxiang Information and our Consolidated Affiliated Entity are in compliance with the existing PRC laws and

RISK FACTORS

regulations, (ii) the Contractual Arrangements are valid, binding and enforceable, and will not result in any violation of the PRC laws or regulations currently in effect, and (iii) the business operations of our Company, Yunxiang Information and our Consolidated Affiliated Entity, as described in this prospectus, are in compliance with the existing PRC laws and regulations. However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations, including the FIL. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Particularly, the FIL stipulates that foreign investment includes “Foreign Investors investing in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council.” We cannot assure you that Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the above-mentioned Contractual Arrangements. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Advisors. If the PRC government finds that the Contractual Arrangements do not comply with its restrictions on foreign investment in the relevant businesses in the PRC, or the Contractual Arrangements are determined as illegal or invalid by the PRC government, or if the PRC government otherwise finds that we, Yunxiang Information or our Consolidated Affiliated Entity are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM, MIIT and NRTA, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and/or operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements which we or our PRC subsidiaries and our Consolidated Affiliated Entity may not be able to comply with;
- requiring us or our PRC subsidiaries and our Consolidated Affiliated Entity to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the proceeds from the Global Offering or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entity; or
- taking other regulatory or enforcement actions that could be harmful to our business.

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

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Netjoy Network and its shareholders may fail to perform their obligations under our Contractual Arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of companies that engage in the provision of “value-added telecommunications services” and “radio and television program production

RISK FACTORS

and operation services” in China, we operate a substantial portion of our business in the PRC through our Consolidated Affiliated Entity, in which we have no ownership interest. We rely on the Contractual Arrangements to control and operate our Consolidated Affiliated Entity’s business. The Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entity and allow us to obtain economic benefits from them. See “Contractual Arrangements” for further details.

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

We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our Consolidated Affiliated Entity that are material to our business operations if our Consolidated Affiliated Entity declares bankruptcy or become subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entity. If our Consolidated Affiliated Entity undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of our Consolidated Affiliated Entity’s assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entity. If our Consolidated Affiliated Entity liquidates, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law (《中華人民共和國企業破產法》) and recover any outstanding liabilities owed by our Consolidated Affiliated Entity to Yunxiang Information under the applicable service agreement.

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

RISK FACTORS

The shareholders of Netjoy Network may have conflicts of interest with us, which may materially and adversely affect our business.

We have designated persons consisting of PRC nationals and entities to be the shareholders of Netjoy Network. These persons may have conflicts of interest with us. Our Consolidated Affiliated Entity is partially beneficially owned by certain members of our management team, namely, Mr. Wang, Mr. Qin, Mr. Xu and Mr. Dai. Conflicts of interest may arise between the roles of these individuals as shareholders, directors and/or officers of our Company and as shareholders, directors and/or officers of Netjoy Network. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our Company as a whole and not to place themselves in a position where there is a conflict between their duties to our Company and their personal interests. On the other hand, PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company that he or she directs or manages. We cannot assure you that when conflicts arise, shareholders of Netjoy Network will act in the best interest of our Company or that conflicts will be resolved in our favor. These individuals may breach or cause Netjoy Network to breach the existing Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the option to acquire equity ownership of Netjoy Network, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Yunxiang Information or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Netjoy Network from its shareholders at a nominal price, unless the relevant PRC governmental authorities or PRC laws request that another amount be used as the purchase price and in which case the purchase price shall be the lowest amount under such request.

The equity transfer may be subject to registrations and filings with the SAMR and MOFCOM and/or their local counterparts. In addition, the equity transfer price may be subject to review and tax adjustment with reference to its market value by the relevant PRC tax authorities. The shareholders of Netjoy Network shall pay the equity transfer price that they receive to Yunxiang Information or its designated person(s) under the Contractual Arrangements. The amounts of such equity transfer to be received by Yunxiang Information may also be subject to EIT, in which case the tax amounts could be substantial.

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

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

RISK FACTORS

RISKS RELATING TO THE PRC

China’s economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business.

Substantially all of our businesses, assets, operations and revenue are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC’s macro economy through fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce State ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over the PRC’s economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by China’s economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China’s economic growth. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in market volatility. There have been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially have adverse economic effects. There have also been concerns on the trade war initiated by the United States against China and other countries. While China’s economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the U.S. economy and the sovereign debt crisis in Europe have collectively added downward pressure to economic growth in China. The growth rate of China’s real GDP has decreased from 6.8% in 2017 to 6.6% in 2018 and further decreased to 6.1% in 2019.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes

RISK FACTORS

control of a PRC domestic enterprise. For details, see “Regulatory Environment — Regulations Related to Foreign Investment — Regulations related to M&A.” The M&A Rules further require that, among others, 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, in particular if the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for shares of offshore companies.

Moreover, the Anti-Monopoly Law (《反壟斷法》) requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the MOFCOM (《商務部實施外國投資者併購境內企業安全審查制度的規定》) that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments.

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its “de facto management bodies” within China, such enterprise would generally be deemed as a “PRC resident enterprise” for tax purposes and be subject to an EIT rate of 25% on its global income. “De facto management bodies” is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the STA issued several circulars to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. We are currently not regarded as a PRC tax resident enterprise. However, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders. For details, see “Regulatory Environment — Regulations Related to Taxation — Regulations related to Enterprise Income Tax.”

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

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are “non-resident enterprises,” which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. For details, see “Regulatory Environment — Regulations Related to Taxation — Regulations related to Enterprise Income Tax.”

RISK FACTORS

Under PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under “— We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments,” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government’s policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

The PRC government’s control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of China, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

RISK FACTORS

In light of the flood of capital outflows of China in 2016 due to the weakening of the RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movements. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local counterparts, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. For details, see “Regulatory Environment — Regulations Related to Foreign Debt.” Any medium or long-term loan to be provided by us to our Consolidated Affiliated Entity must be recorded and registered by the NDRC and the SAFE or its local counterparts. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this Global Offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business. For details, see “Regulatory Environment — Regulations Related to Foreign Exchange.”

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“SAFE Circular 19”), which took effect on June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》) (“SAFE Circular 16”). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the proceeds from this Global Offering, which may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

The STA promulgated several rules and notices to tighten the scrutiny over acquisitions in recent years. On February 3, 2015, the STA issued the Public 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產企業所得稅若干問題的公告》) (“**Circular 7**”), which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) (“**Circular 698**”), which was previously issued by the STA on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”).

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

RISK FACTORS

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market” (the “**Public Market Safe Harbor**”), which is determined by whether the parties and number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in “Information about this Prospectus and the Global Offering,” potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司投融資及返程投資外匯管理有關問題的通知》) (“**SAFE Circular 37**”) was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Each of our individual beneficial owners who is required to complete the registration under SAFE Circular 37 has duly completed the foreign exchange registrations in relation to their offshore investments as PRC residents. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries’ ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

RISK FACTORS

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》) (“SAFE Circular 7”), replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local counterparts and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 7 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local counterparts before they exercise the share options. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of this Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiaries have obligations to file documents with respect to the granted share options with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

RISK FACTORS

The legal system in the PRC has inherent uncertainties that could limit the legal protections available to our Shareholders.

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC Government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and may adversely affect the value of your investment.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, a majority of our current Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. It may not be possible for investors to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

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

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

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

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value, and existing Shareholders will receive an increase in pro forma net tangible book value. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

RISK FACTORS

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

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. See "Financial Information — Dividends" for details. As a result, there can be no assurances whether, when and in what manner we will pay dividends in the future.

Since there may be a gap of several Business Days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

Our corporate affairs are governed by the Articles of Association, the Cayman Islands Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

Facts and statistics in this prospectus may come from various sources and may not be fully reliable.

Some of the facts and statistics in this prospectus are derived from various publications of governmental agencies or publicly available sources and obtained during communications with various government agencies or independent third parties that our Directors believe are reliable. However, our Directors cannot guarantee the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Sole Sponsor or any other parties involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

RISK FACTORS

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our business operations are managed and conducted outside of Hong Kong, it would be impractical and commercially unnecessary for our Company to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we have appointed Mr. Wang, an executive Director and the chief executive officer of our Company, and Ms. Peng Ting (彭婷) (“**Ms. Peng**”), the vice president and one of the joint company secretaries of our Company as our authorized representatives (the “**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. In addition, Ms. Leung Shui Bing (梁瑞冰) (“**Ms. Leung**”), who is ordinarily resident in Hong Kong, has been appointed as the alternative authorized representative of the Company. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and readily contactable by telephone, facsimile and email;
- (b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our Authorized Representatives will have means to contact all of our Directors promptly. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our Authorized Representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our Authorized Representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;
- (c) each Director who is not an ordinary resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time, if required;
- (d) we have appointed Haitong International Capital Limited as our compliance advisor pursuant to Rules 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Stock Exchange 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, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. Our compliance advisor will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing, and will have access at all times to our Authorized Representatives, our Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) any meeting between the Stock Exchange and our Directors will be arranged through our Authorized Representatives or compliance advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our Authorized Representatives and compliance advisor.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable.

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

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

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

We have appointed Ms. Peng as one of our joint company secretaries. Ms. Peng joined our Group in 2012 and has been the secretary to the board of directors of Netjoy Network since October 2015 responsible for its company secretarial affairs. However, Ms. Peng does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. Therefore, we have also appointed Ms. Leung, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary. For more details of Ms. Peng’s and Ms. Leung’s biographies, see “Directors and Senior Management.”

Over the initial period of the three years from the Listing Date, we will implement the following measures to assist Ms. Peng to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

- (a) Ms. Leung will assist Ms. Peng to enable her to discharge her duties and responsibilities as a joint company secretary of our Company. Given Ms. Leung’s relevant experience, Ms. Leung will be able to advise both Ms. Peng and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Ms. Peng will be assisted by Ms. Leung for an initial period of three years commencing from the Listing Date, which should be sufficient for Ms. Peng to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) we will ensure that Ms. Peng has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Peng has undertaken to attend such trainings;
- (d) Ms. Leung will communicate with Ms. Peng on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Leung will work closely with, and provide assistance to Ms. Peng with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and
- (e) pursuant to Rule 3.29 of the Listing Rules, Ms. Peng and Ms. Leung will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Peng and Ms. Leung will be advised by our legal advisors as to Hong Kong laws and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that (i) we engage Ms. Leung as a joint company secretary, who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules and will provide assistance to Ms. Peng during this period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Peng to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Ms. Peng, having had the benefit of Ms. Leung's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for the non-exempt continuing connected transactions. For details of such continuing connected transactions and the waiver, please see "Connected Transactions."

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms set out 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 authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as at any subsequent time.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 20,000,000 Hong Kong Offer Shares and the International Offering of initially 180,000,000 International Offer Shares. The application for listing of our Shares is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before Friday, December 11, 2020, unless otherwise announced, the Global Offering will not proceed and will lapse. Further information about the Underwriters and the Underwriting Agreements is set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus, where applicable.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit a public offer of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the 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 any registration made with or authorization by the relevant securities regulatory authorities or an exemption from applicable securities laws.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue prior to the Global Offering and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the Shares which may be sold pursuant to the exercise of the Over-allotment Option) and any Shares which may fall to be allotted and issued pursuant to any exercise of the options to be granted under the Post-IPO Share Option Scheme.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

REGISTER OF MEMBERS AND STAMP DUTY

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed “Structure and Conditions of the Global Offering — Over-allotment Option” and “Structure and Conditions of the Global Offering — Stabilisation” in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Over-allotment Option Grantors may be required to sell up to an aggregate of 30,000,000 shares.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.84835 to HK\$1.00, the exchange rate prevailing on November 27, 2020 published by the PBOC for foreign exchange transactions and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7508 to US\$1, being the noon buying rate as set forth in the H.10 statistical release of the United States Reserve Board on November 25, 2020.

ROUNDING

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

TRANSLATION

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wang Chen (王晨)	Room B102, Unit 4 Building 10, No. 2 Huangqu East Road Chaoyang District, Beijing PRC	Chinese
Mr. Xu Jiaqing (徐佳慶)	Room 601 No. 11, Lane 631 Gumei West Road Minhang District, Shanghai PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Qin Miaomiao (覃渺渺) . . .	1 Liuxu Road Bailizhou Town Zhijiang, Hubei Province PRC	Chinese
Mr. Dai Liqun (戴立群)	Room 501, No. 19, Lane 1535 Puxiu Road Minhang District, Shanghai PRC	Chinese
Mr. Zhang Jianguo (張建國) . . .	No. 889, Bibo Road Zhangjiang Town Pudong New Area, Shanghai PRC	Chinese
Mr. Wang Jianshuo (王建碩) . . .	Room 102 No.135, Lane 3088 Jinxiu Road Pudong New Area, Shanghai PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. Chen Changhua (陳長華) . .	Room 202 77 Kangchengdao Lane 958, Xinsong Road Minhang District, Shanghai PRC	Chinese
Dr. Ru Liyun (茹立雲)	Room 13, Unit 4 6th Floor, Building 8 Block 1, Liupukang Xicheng District, Beijing PRC	Chinese
Ms. Cui Wen (崔雯)	Room 702, No. 19 Lane 45, Chunquan Road Pudong New Area, Shanghai PRC	Chinese

For further information regarding our Directors, see “Directors and Senior Management.”

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Haitong International Capital Limited 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	DBS Asia Capital Limited 73/F The Center 99 Queen’s Road Central Central, Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Limited 20/F Wing On Centre 111 Connaught Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Securities (International) Corporate Finance Company Limited

18/F Two Exchange Square
8 Connaught Place
Central, Hong Kong

BOCOM International Securities Limited

15/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

BOCI Asia Limited

26/F 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

Joint Lead Managers

Haitong International Securities Company Limited

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

DBS Asia Capital Limited

73/F The Center
99 Queen's Road Central
Central, Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F Wing On Centre
111 Connaught Road Central
Hong Kong

China Securities (International) Corporate Finance Company Limited

18/F Two Exchange Square
8 Connaught Place
Central, Hong Kong

BOCOM International Securities Limited

15/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

BOCI Asia Limited

26/F Bank of China Tower
1 Garden Road
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

AMTD Global Markets Limited

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

Futu Securities International (Hong Kong) Limited

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

SBI China Capital Financial Services Limited

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

Legal Advisors to Our Company

As to Hong Kong laws

William Ji & Co. LLP

in Association with

Tian Yuan Law Firm Hong Kong Office

Suites 3304-3309, 33/F
Jardine House
One Connaught Place
Central, Hong Kong

As to PRC laws

DeHeng Law Offices

12/F Tower B, Focus Place
No.19 Finance Street
Xicheng District, Beijing
PRC

As to Cayman Islands laws

Harney Westwood & Riegels

3501 The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Sole Sponsor
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 laws
Jingtian & Gongcheng
Suite 45/F K.Wah Centre
1010 Huaihai Road (M)
Xuhui District, Shanghai
PRC

Auditor and Reporting Accountant

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

Industry Consultant

Shanghai iResearch Co., Ltd.
701 Building B
CCIG International Plaza
333 North Caoxi Road
Xuhui District, Shanghai
PRC

Receiving Banks

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Bank of Communications Co., Ltd. Hong Kong Branch
Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Room 01 & 18/F
Wheelock House
20 Pedder Street, Central
Hong Kong

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

CORPORATE INFORMATION

Registered Office	4th Floor, Harbour Place 103 South Church Street, George Town P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters in the PRC	5/F, No. 3 396 Guilin Road Xuhui District, Shanghai PRC
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Company's Website	http://www.netjoy.com <i>(the information contained on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Ms. Peng Ting 5/F, No. 3 396 Guilin Road Xuhui District, Shanghai PRC Ms. Leung Shui Bing <i>(Associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom)</i> TMF Hong Kong Limited 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Authorized Representatives	Mr. Wang Chen Room B102, Unit 4 Building 10, No. 2 Huangqu East Road Chaoyang District, Beijing PRC Ms. Peng Ting 5/F, No. 3 396 Guilin Road Xuhui District, Shanghai PRC
Audit Committee	Mr. Chen Changhua (<i>Chairman</i>) Dr. Ru Liyun Mr. Dai Liqun

CORPORATE INFORMATION

Remuneration Committee	Dr. Ru Liyun (<i>Chairman</i>) Mr. Chen Changhua Mr. Dai Liqun
Nomination Committee	Mr. Xu Jiaqing (<i>Chairman</i>) Dr. Ru Liyun Mr. Chen Changhua
Compliance Advisor	Haitong International Capital Limited 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal Share Registrar and Transfer Office	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	Bank of China Shanghai Jing'anxincheng Branch No. 2362-2366, Yishan Road Minhang District, Shanghai PRC China Construction Bank Corporation Shanghai Caohejing Branch No. 418, Guiping Road Xuhui District, Shanghai PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government and other publicly available sources and from the market research report prepared by iResearch. iResearch is an independent industry consultant engaged by us, and we commissioned iResearch to prepare a market research report. The information extracted from the iResearch Report should not be considered to be a basis for investments in the Offer Shares or an opinion of iResearch with respect to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information are appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false in any material respect or misleading or that any fact has been omitted that would render such information false in any material respect or misleading. No independent verification has been carried out on such information by our Company or any other parties involved in the Global Offering (excluding iResearch), or their respective directors, officers or representatives, and no representation is given as to the accuracy or completeness of such information.

Accordingly, you should not place undue reliance on such information. For discussions of risks relating to our industry, please see “Risk Factors — Risks Relating to Our Business and Industry.”

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 a management team with over 400 employees worldwide and has accumulated extensive experience in researching and monitoring the development of the internet industry in the PRC.

We have agreed to pay a commission fee of RMB1.0 million for the iResearch Report. Data for the iResearch Report on market size and online users is mainly obtained through interviews with industry participants, marketing surveys, secondary sources and other research methods. 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 global and China’s social, economic and political environments will remain stable during the forecast period, which will ensure a sustainable and steady development of online marketing industry; and (ii) the data quoted from authoritative agencies remains unchanged. iResearch believes that the basic assumptions used in preparing the iResearch Report, including those used to make future projections, are correct, reasonable and not misleading. 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.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the iResearch Report. After making reasonable inquiries, our Directors confirm that there has been no adverse change in the market information presented in the iResearch Report since the date of its issuance which may materially qualify, contradict or impact the information in this section.

THE INTERNET MARKET IN CHINA

China’s internet market, in particular the mobile internet market, has experienced rapid growth over the past five years and is expected to further grow in the future. China’s population of internet users increased at a CAGR of 5.6% from 688.3 million in 2015 to 854.5 million in 2019, and is expected to increase further at a CAGR of 4.8% from 915.3 million in 2020 to 1,101.9 million in 2024. China’s population of mobile internet users increased at a CAGR of 8.1% from 619.8 million in 2015 to 846.8 million in 2019, and is expected to increase at a CAGR of 4.8% from 909.8 million in 2020 to 1,098.6 million in 2024. As mobile internet develops, people place increasing reliance on mobile apps in their

INDUSTRY OVERVIEW

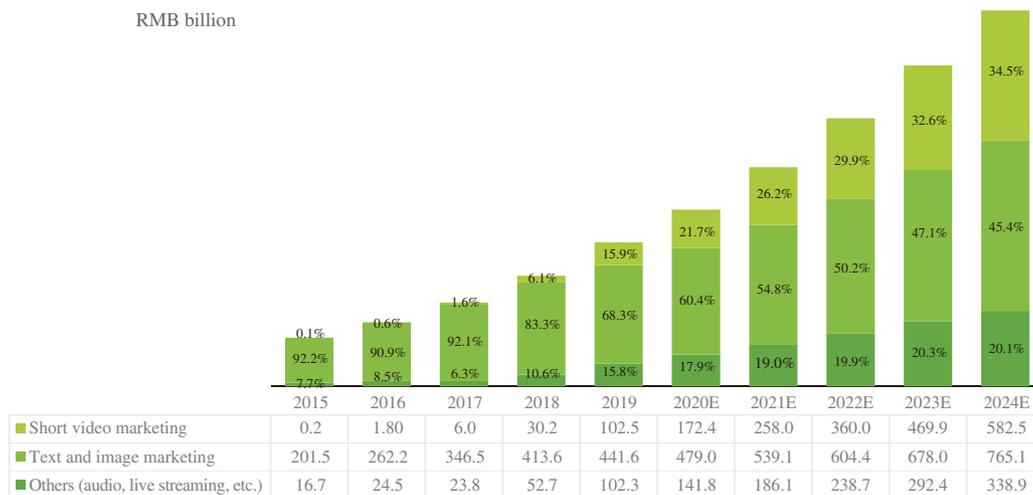
daily life. In particular, the daily average time internet users spent online increased from 3.7 hours in 2015 to 4.0 hours in 2019, and is expected to further increase from 4.3 hours in 2020 to 4.4 hours in 2024. The large population of China’s internet users and the increasing time spent online have created an enormous market for online marketing.

With the increasing scale of internet users, the average mobile internet traffic cost in China decreased rapidly at a CAGR of 50.9% from RMB86.0 per GB in 2015 to RMB5.0 per GB in 2019, and is expected to further decrease at a CAGR of 11.8% from RMB3.8 per GB in 2020 to RMB2.3 per GB in 2024. Due to the introduction of the high speed 4G network and the reduced internet traffic cost, the mobile internet traffic consumption in China increased rapidly at a CAGR of 132.2% from 4.2 billion GB in 2015 to 122.0 billion GB in 2019, and is expected to further grow at a CAGR of 54.9% from 201.9 billion GB in 2020 to 1,161.5 billion GB in 2024. With the improvement of hardware performance and network infrastructure and the decrease in internet traffic cost, internet users are more exposed to various types of content, especially short videos, creating tremendous opportunities for content producers, distributors and advertisers. In particular, it is expected that the popularization of 5G network will make short video more easily accessible and affordable, resulting in more monetization opportunities for short video marketing.

THE ONLINE MARKETING MARKET IN CHINA

The online marketing in China primarily comprises short video marketing, text and image marketing, live streaming marketing and audio marketing. Driven by continuous innovations in internet and mobile technologies and the increasing amount of time consumers spend on digital devices as well as the data-driven potential of online marketing, marketers are increasingly shifting their marketing spending from offline channels, such as television advertising, print advertising and radio advertising, to online channels in order to achieve wider but more target audience reach and provide more tailored marketing messages in a cost effective manner. Online marketing in China, as measured by total advertising revenue, grew at a CAGR of 31.1% from RMB218.5 billion in 2015 to RMB646.4 billion in 2019, and is expected to further grow at a CAGR of 20.8% from RMB793.2 billion in 2020 to RMB1,686.5 billion in 2024. Among the various forms of online marketing solutions, short video marketing is an important component and driver of the overall online marketing market, due to the easy access to and attention catching content of short videos. The market share of short video marketing, as a percentage of online marketing market, increased rapidly from 0.1% in 2015 to 15.9% in 2019, and is expected to further increase from 21.7% in 2020 to 34.5% in 2024.

The Online Marketing Market Size in China, 2015 – 2024E



Source: iResearch.

INDUSTRY OVERVIEW

Competitive Landscape

The online marketing market in China is highly fragmented and competitive. The top five online marketing solutions providers in China accounted for approximately 12.4% of the overall online marketing market in terms of revenue in China in 2019. Top market players in the online marketing market are mainly traditional advertising and media companies.

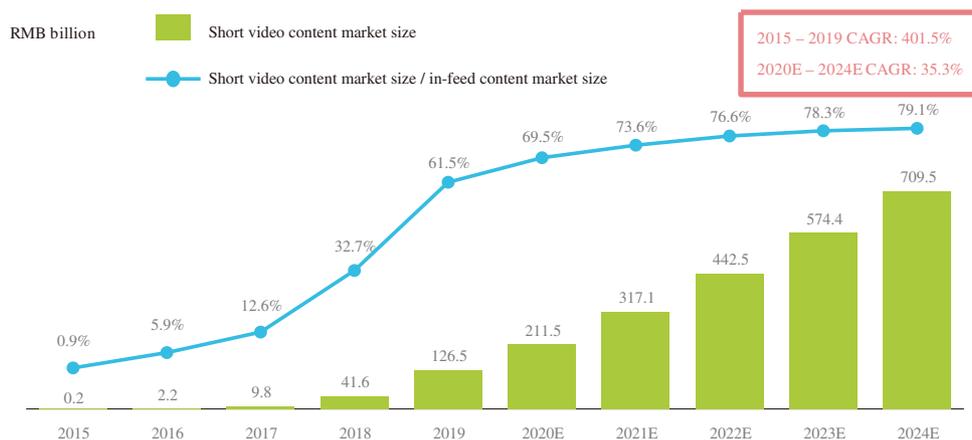
We are one of those online marketing solutions providers having revenue of more than RMB1.0 billion in 2019, of which the aggregate market shares accounted for approximately 30.0% of the overall online marketing market. We contributed to approximately 0.5% of the total revenue of the overall online marketing market in China in 2019.

THE SHORT VIDEO CONTENT MARKET IN CHINA

Short videos are online videos that usually lasts for less than five minutes. The short video content market includes short video marketing market and short video content production market.

As short videos are more appealing and time saving, it has gained great popularity among audiences and become a major form of entertainment. Compared to texts and images, short videos are intrinsically (i) able to convey more abundant and diversified content; (ii) easier to capture the attention of internet users and more memorable, enabling internet users to retain more information from the video content; and (iii) more engaging, enhancing internet users' social interaction and driving more user traffic. With the rapid development of the mobile internet era and technological advancement of network infrastructure, short video content market has experienced rapid growth. Specifically, the size of short video content market increased at a CAGR of 401.5% from RMB0.2 billion in 2015 to RMB126.5 billion in 2019. In particular, the introduction and popularization of 5G will accelerate data transmission, reduce mobile internet traffic costs per GB, and advance the technology development of short videos, such as AR and VR, which in turn will improve short video user experiences, diversify short video presentation formats, and enhance the appeal of short videos. Therefore, the size of short video content market is expected to further increase at a CAGR of 35.3% from RMB211.5 billion in 2020 to RMB709.5 billion in 2024.

The Short Video Content Market Size in China, 2015 – 2024E



Source: iResearch.

INDUSTRY OVERVIEW

Short Video Marketing Market

Short video marketing has various forms of online marketing, including short video in-feed marketing, event marketing and product placement marketing, and is an important component and driver of the overall online marketing market. The market share of short video marketing, as a percentage of online marketing market, was 15.9% in 2019, and is expected to further increase to 34.5% in 2024. Revenue generated from short video marketing in China increased at a CAGR of 375.8% from RMB0.2 billion in 2015 to RMB102.5 billion in 2019, and is expected to further increase at a CAGR of 35.6% from RMB172.4 billion in 2020 to RMB582.5 billion in 2024, which outpaced the growth of overall online marketing market.

The Short Video Marketing Market Size in China, 2015 – 2024E

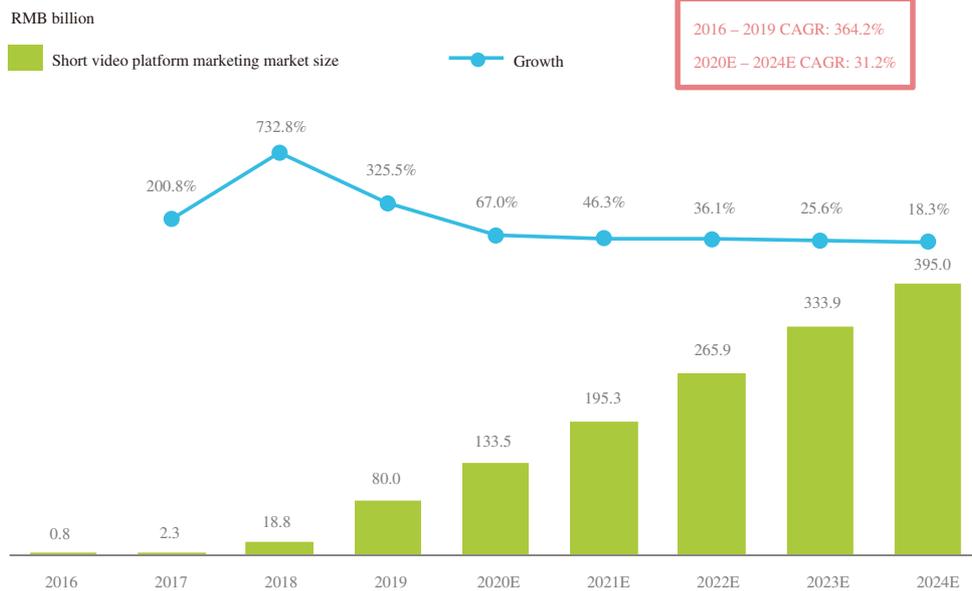


Source: iResearch.

The rise of top short video platforms in China has created enormous opportunities for in-feed marketing. In addition, the increasing allocation of advertising budgets on short video platforms by advertisers and the industry-specific expertise of the professional content producers which caters to the interests and preferences of advertisers also contributed to the rapid growth of the short video platform advertising market. Revenue generated from advertisements placed on short video platforms in China increased at a CAGR of 364.2% from RMB0.8 billion in 2016 to RMB80.0 billion in 2019, and is expected to further increase at a CAGR of 31.2% from RMB133.5 billion in 2020 to RMB395.0 billion in 2024.

INDUSTRY OVERVIEW

The Short Video Platform Marketing Market Size in China, 2016 – 2024E



Source: iResearch.

Note:

- (1) Short video platforms began to generate revenue from advertisements in 2016.

The price of ad inventories is a key factor that affects the profitability of short video platforms and short video marketing solutions providers who purchase such ad inventories. Due to the popularity and the superior marketing effectiveness of short video platforms, the price of leading short video platforms' ad inventories increased accordingly. Affected by the outbreak of COVID-19, the price decreased a little bit in 2020 but is expected to further increase in the future.

Average Published Price of In-feed Ad Inventories by CPM/oCPM of Top Short Video Platforms in China, 2018-2022E



Source: iResearch.

INDUSTRY OVERVIEW

Short Video Content Production Market

Short video is a major form of in-feed content. Due to the popularity of short videos and the rise of short video platforms, short video content production market has grown rapidly. The size of short video content production market in China, measured by revenue from (i) subsidies granted by online publishers and (ii) payment by advertisers for product placements, has grown significantly at a CAGR of 291.5% from RMB0.4 billion in 2016 to RMB24.0 billion in 2019, and is expected to further grow at a CAGR of 34.3% from RMB39.1 billion in 2020 to RMB127.0 billion in 2024.

The Short Video Content Production Market Size in China, 2016 – 2024E



Source: iResearch.

Note:

(1) Short video content production market began to generate revenue in 2016.

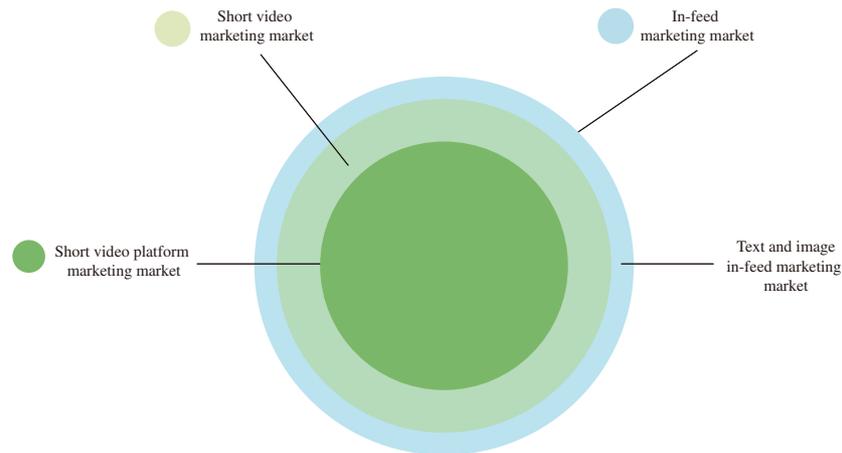
THE IN-FEED CONTENT MARKET IN CHINA

Overview

In-feed content is integrated seamlessly in the content of the feeds of an app or website, or consistent with the components of the app or web interface. Due to its non-disruptive nature and rendering of pleasant audience experience, in-feed content has gained increasing popularity. In-feed content is usually presented in the form of text and image and short video. In terms of business model, in-feed content market can be also divided into two sectors, namely, in-feed marketing and in-feed content production.

INDUSTRY OVERVIEW

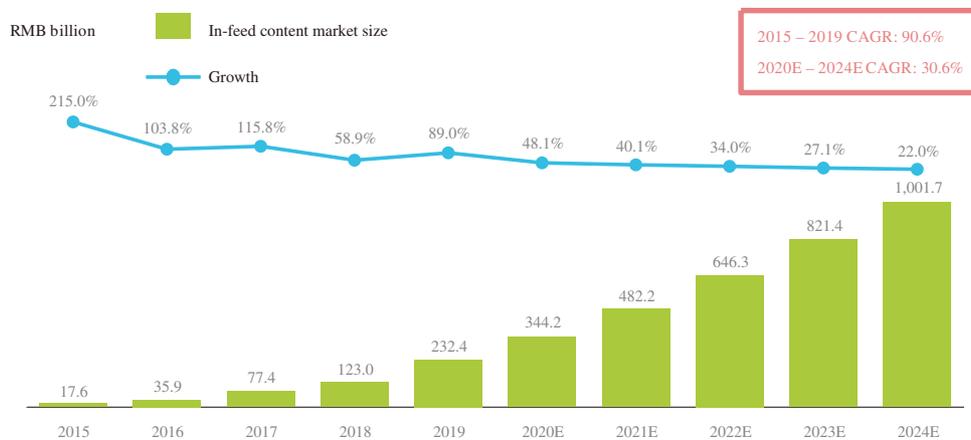
The diagram below shows the primary market sectors in which we operate:



Market Size

The size of in-feed content market, comprising (i) revenue generated by online publishers through in-feed advertisements placed on their platforms and (ii) revenue generated by in-feed content producers, increased at a CAGR of 90.6% from RMB17.6 billion in 2015 to RMB232.4 billion in 2019, and is expected to further increase at a CAGR of 30.6% from RMB344.2 billion in 2020 to RMB1,001.7 billion in 2024.

The In-Feed Content Market Size in China, 2015 – 2024E



Source: iResearch.

The size of text and image in-feed content market increased at a CAGR of 57.5% from RMB17.2 billion in 2015 to RMB105.9 billion in 2019, and is expected to further increase at a CAGR of 21.8% from RMB132.7 billion in 2020 to RMB292.2 billion in 2024; while the size of short video in-feed content market increased at a CAGR of 401.5% from RMB0.2 billion in 2015 to RMB126.5 billion in 2019, and is expected to further increase at a CAGR of 35.3% from RMB211.5 billion in 2020 to RMB709.5 billion in 2024.

INDUSTRY OVERVIEW

THE IN-FEED MARKETING MARKET IN CHINA

Overview

In terms of ad format, internet advertisements can be mainly categorized into native advertisements and non-native advertisements, and the native advertisements can be further classified into in-feed advertisements and non-in-feed advertisements. In-feed advertisements are primarily in the form of text and image or short video and placed on (i) short video platforms, (ii) social media platforms, and (iii) news and information content platforms.

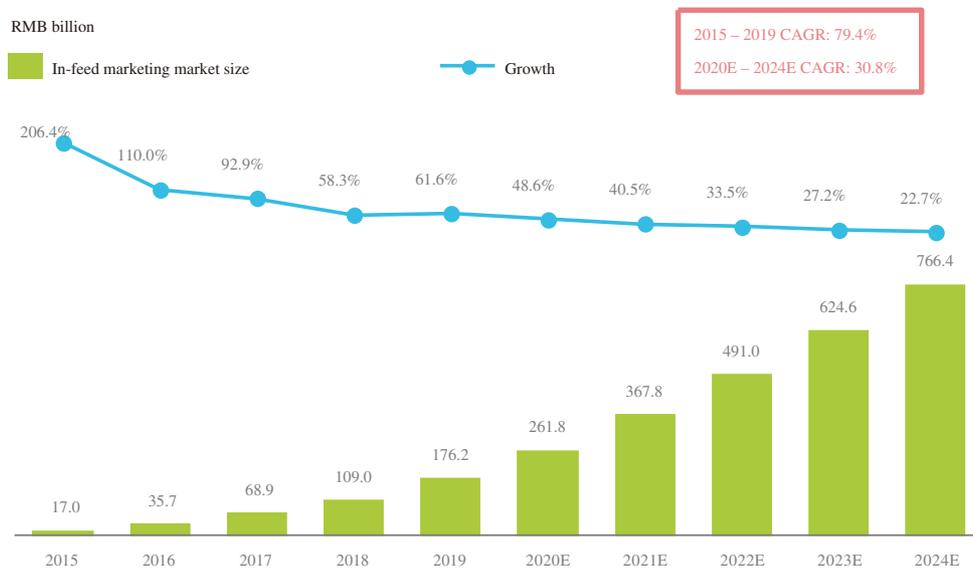
Marketing solutions providers connect advertisers and online publishers. On one hand, marketing solutions providers help advertisers acquire, convert and retain consumers directly or through advertising agencies by planning, launching and managing advertising campaigns. On the other hand, marketing solutions providers also acquire user traffic from online publishers directly or through media agents to publish in-feed advertisements.

It is common in the in-feed marketing market that both the advertisers and online publishers connect to marketing solutions providers through intermediaries, such as the advertising agencies and media agents. The marketing solutions providers may be engaged by advertising agencies on behalf of advertisers to market their products or services, and may acquire user traffic from online publishers through media agents.

Market Size

The in-feed marketing market in China has experienced rapid growth and is expected to continue to grow at a relatively high speed. Revenue generated from in-feed advertisements in China increased at a CAGR of 79.4% from RMB17.0 billion in 2015 to RMB176.2 billion in 2019, and is expected to further increase at a CAGR of 30.8% from RMB261.8 billion in 2020 to RMB766.4 billion in 2024.

The In-feed Marketing Market Size in China, 2015 – 2024E



Source: iResearch.

INDUSTRY OVERVIEW

While engaging visitors with entertaining visuals, short video in-feed advertisements are easier to capture the attention of visitors and are able to deliver large quantities of bite-sized pieces of information that are more digestible, enabling them to retain more information from the advertisements and enhancing the marketing efficiency for the advertisers. Revenue generated from short video in-feed marketing in China increased at a CAGR of 375.8% from RMB0.2 billion in 2015 to RMB102.5 billion in 2019, and is expected to further increase at a CAGR of 35.6% from RMB172.4 billion in 2020 to RMB582.5 billion in 2024, showing a faster growth than the overall in-feed marketing market in China.

Key Drivers of Short Video Marketing Market in China

The short video marketing market in China is expected to continue its growth and such expectation is determined by several key drivers as set out below:

- ***Increasing recognition of short video marketing.*** As short videos are appealing and easier to capture the attention of internet users, which will stimulate target consumers' desires to spend, they are able to improve the overall marketing efficiency and maximize the rate of return of advertising spending of advertisers. Therefore, the value of short video marketing has been increasingly recognized by advertisers. Short video marketing has become the most effective, efficient and prevalent form of marketing for advertisers.
- ***A large base of short video audiences.*** The short video platforms have accumulated a large audience base due to the popularity of short videos, and thus have created an enormous market for short video marketing. The MAUs of short video platforms have been increasing dramatically and reached 855.7 million in the fourth quarter of 2019, accounting for approximately 60.6% of the total devices in China for the same period. It is expected that the user base of short video platforms will further grow as the service and content of short video platforms constantly develop and improve and the introduction and commercialization of 5G, which will prompt the expansion of short video marketing market.
- ***Commercialization of short video platforms.*** The growth of short video platforms has entered into a steady development phase and they are motivated to commercialize their products and services. The short video platforms monetize their user traffic by offering ad inventories to advertisers, which brings immense business opportunities for the short video marketing solutions providers.
- ***Application of advanced technologies.*** The application of advanced technologies will also drive the expansion of short video marketing market. The application of 5G technology and infrastructure will improve short video user experience, diversify short video presentation forms and advance the technology development of short videos. In particular, big data analytics are able to optimize ad performance on a real-time basis and improve the marketing efficiency. AR is able to provide more vivid visual effects and improve the immersive and interactive user experiences for the short video advertisements. AI is able to achieve accurate audience profiling through deep learning and help advertisers precisely target and reach the types of audiences best suited in the advertising campaigns. All of the abovementioned advanced technologies help stimulate target consumers' desires to spend and maximize the rate of return of the advertising spending of advertisers, which in turn further expands the short video marketing market.

INDUSTRY OVERVIEW

Barriers to Entry of Short Video Marketing Market in China

New entrants of the short video marketing market in China face the following entry barriers:

- **Media sources.** The short video platforms in China are highly concentrated, with the number of top 10 short video platforms' MAUs in 2019 accounting for approximately 96.9% of the total MAUs of all short video platforms in China in the same year. Therefore, it is critical for marketing solutions providers to maintain established business relationships with top short video platforms. The top short video platforms are relatively stricter in selecting marketing solutions providers, considering, among others, their track record, financial position, and industry reputation. Therefore, it takes a significant amount of time for marketing solutions providers to build their proven track record so as to gain trust from top short video platforms.
- **Advertiser resources.** The experience and understanding gained through long-term cooperation with advertisers of different industry verticals can enhance the effectiveness of the advertising campaigns with more customized solutions catering to specific industry needs, which creates entry barrier to new market entrants.
- **Technology barriers.** Proprietary technologies, including AI and big data analytics capabilities, are essential for the provision of precise marketing solutions. In addition, reliable technology infrastructure serves as the foundation for launching and managing large scale advertising campaigns in real-time, which cannot be replicated by new market entrants in a short period of time.
- **Data assets.** Big data that marketing solutions providers have accumulated can help them achieve better audience profiling and precise targeting and also serves as the foundation for new types of data-based services.
- **Traffic resources.** Sufficient traffic resources are critical in expanding online marketing business. Traffic resources comprise traffic of public media channel from external online publishers or content distribution partners, and traffic of private media channel from self-operated distribution platforms. New entrants usually lack both top media partners to acquire quality traffic of public media channel and well-established self-operated platforms to generate sufficient traffic of private media channel.

Competitive Landscape

The short video marketing market in China is currently highly fragmented. It is expected that the competition in the short video marketing market in China will become more intensive. In the foreseeable future, the currently fragmented market will begin to concentrate, with a few leading marketing solutions providers to consolidate smaller competitors in this market.

We ranked the third among all the marketing solutions providers in China in 2019 in terms of gross billing generated from short video advertisements. In addition, we ranked the third among all the marketing solutions providers in China in 2019 in terms of gross billing generated from performance-based advertisements placed on short video platforms.

INDUSTRY OVERVIEW

Top 5 Marketing Solutions Providers in terms of Gross Billing Generated from Short Video Advertisements in 2019

Ranking	Company	Gross Billing (RMB billion)	Market Share	Background
1	Company A	11.3	12.6%	A private comprehensive online media and communication group, engaging primarily in online advertising, mass media, and marketing and planning, with a registered capital of RMB10.0 million, founded in 2014
2	Company B	11.0	12.3%	An online targeted marketing solutions provider, providing one-stop marketing solutions, including strategy consulting, media buying, creative planning and performance optimization, founded in 2009. Company B recorded net profits of RMB109.3 million, RMB127.7 million, RMB25.5 million and RMB6.6 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and total assets of RMB1.4 billion, RMB2.0 billion, RMB2.4 billion and RMB1.8 billion as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. It is a wholly-owned subsidiary of a public company listed on the Shanghai Stock Exchange in China
3	Our Company	3.1	3.4%	See “Business”
4	Company C	3.0	3.3%	A private mobile digital marketing solutions provider, providing integrated services in internet search, in-feed advertisements, apps and app stores, with a registered capital of RMB3.0 million, founded in 2015
5	Company D	2.0	2.2%	A private integrated targeted marketing solutions provider with a registered capital of approximately RMB1.3 million, founded in 2014. Company D recorded net profits of RMB13.6 million, RMB36.2 million and RMB23.6 million for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, respectively, and total assets of RMB149.8 million, RMB547.3 million and RMB536.2 million as of December 31, 2017 and 2018 and September 30, 2019, respectively

Source: iResearch.

INDUSTRY OVERVIEW

Top 5 Marketing Solutions Providers by Gross Billing Generated from Performance-based Advertisements Placed on Short Video Platforms in 2019

Ranking	Company	Gross Billing (RMB billion)	Market Share	Background
1	Company A	6.6	14.6%	A private comprehensive online media and communication group, engaging primarily in online advertising, mass media, and marketing and planning, with a registered capital of RMB10.0 million, founded in 2014
2	Company B	3.5	7.7%	An online targeted marketing solutions provider, providing one-stop marketing solutions, including strategy consulting, media buying, creative planning and performance optimization, with total assets of RMB2.4 billion as of December 31, 2019, founded in 2009. Company B recorded net profits of RMB109.3 million, RMB127.7 million, RMB25.5 million and RMB6.6 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and total assets of RMB1.4 billion, RMB2.0 billion, RMB2.4 billion and RMB1.8 billion as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. It is a wholly-owned subsidiary of a public company listed on the Shanghai Stock Exchange in China
3	Our Company	2.7	5.9%	See "Business"
4	Company C	2.1	4.6%	A private mobile digital marketing solutions provider, providing integrated services in internet search, in-feed advertisements, apps and app stores, with a registered capital of RMB3.0 million, founded in 2015
5	Company D	1.8	3.9%	A private integrated targeted marketing solutions provider with a registered capital of approximately RMB1.3 million, founded in 2014. Company D recorded net profits of RMB13.6 million, RMB36.2 million and RMB23.6 million for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, respectively, and total assets of RMB149.8 million, RMB547.3 million and RMB536.2 million as of December 31, 2017 and 2018 and September 30, 2019, respectively

Source: iResearch.

Future Trends of Short Video Marketing Market in China

The short video marketing market in China is expected to be influenced by the following trends:

- **Full cycle service capability.** Marketing solutions providers tend to provide full cycle advertising services, including traffic acquisition, production of ad creatives, precise targeting and data analysis, rather than acting only as an intermediary.
- **Establishment of in-house content production team.** Content production capability is a key factor that differentiates online marketing solutions providers as the attractiveness of quality content contributes to the success of advertising campaigns. It is expected that an increasing number of marketing solutions providers will establish in-house content production team to diversify and strengthen their service offerings.
- **Competition for high quality media sources.** High quality media sources will become more important for marketing solutions providers and the competition for top short video platforms, which have accumulated a large audience base and thus can help expose advertisers to mass public and increase brand recognition rapidly, will intensify.

INDUSTRY OVERVIEW

- **Development of data technologies.** Data assets are critical to marketing solutions providers. With data analytics technologies, marketing solutions providers are able to collect, monitor and analyze data assets to obtain valuable insights and evaluate the performance of advertising campaigns. This allows both advertisers and marketing solutions providers to adjust and implement marketing strategies more accurately.

THE IN-FEED CONTENT PRODUCTION MARKET IN CHINA

Overview

The popularity and prevalence of in-feed content has prompted the in-feed content production market. In-feed content, in terms of origin, falls broadly into three types: professional-generated content, or PGC, user-generated content, or UGC, and professional user-generated content, or PUGC.

Market Size

As the mobile internet infrastructure further develops to provide high volume and high speed internet traffic, internet users can make full use of their fragmented time to enjoy in-feed content, which is reader-friendly and time-saving. The numerous and diversified content producers have also expedited the in-feed content production market. In addition, due to the popularity of in-feed content among internet users, online publishers have also implemented a series of incentive policies to encourage content producers to produce quality content, which in turn help expand the in-feed content production market. In particular, revenue generated by in-feed content producers consists primarily of (i) subsidies granted by online publishers and (ii) payment by advertisers for product placements. The size of in-feed content production market in China, measured by revenue, experienced rapid growth at a CAGR of 165.0% from RMB0.6 billion in 2015 to RMB29.6 billion in 2019, and is expected to further grow at a CAGR of 32.4% from RMB42.5 billion in 2020 to RMB130.5 billion in 2024.

The In-Feed Content Production Market Size in China, 2015 – 2024E



Source: iResearch.

INDUSTRY OVERVIEW

Key Drivers of Short Video Content Production Market in China

The short video content production market in China is expected to continue its growth and such expectation is determined by several key drivers as set out below:

- ***Increasing demand from internet users.*** Short videos are more appealing and time saving and have become a major form of entertainment. Internet users are devoting more time on watching short videos, creating a huge demand for short video content production market.
- ***Support from online publishers.*** As short videos are able to attract massive audiences, thus generating monetization opportunities, major online publishers are providing financial subsidies and user traffic to stimulate the production of quality short videos.
- ***Participation of professional content producers.*** Given the prevalence and high marketing efficiency of short videos, more talents are entering into the short video content production market, including those experts from traditional media, which in turn improves the overall quality and attractiveness of short videos.
- ***Mature value chain of short video content production.*** The short video content production market has developed a mature value chain, in particular the emergence of MCNs, which provide integrated and professional supports for short video content producers from idea development and planning, to content production, and further to the identification of suitable advertiser and online publisher resources.

Barriers to Entry of Short Video Content Production Market in China

New entrants of the short video content production market in China face the following entry barriers:

- ***Quality content and users' stickiness.*** The quality and attractiveness of short videos are vital in attracting new audiences and retaining existing audiences. Users' stickiness also plays a critical role in audiences accumulation. New market entrants usually lack the knowledge of market trend and the industry-specific expertise to produce quality and appealing short videos.
- ***Sufficient professional content producers.*** Short video content production market relies on experienced and professional content producers to continuously produce quality and appealing content. It is generally difficult for new market entrants to engage sufficient seasoned content producers, or to frequently produce quality content to maintain attractiveness.
- ***Regulatory risks.*** The short video content production market is relatively highly regulated in China. The short videos are prohibited from contradicting public interest, social morality or cultural traditions as well as portraying certain themes, such as superstition and gambling and sex. New market entrants usually lack the relevant regulatory knowledge and experts and may be fined for such violation.

Competitive Landscape

We ranked the first among all the pan-entertainment oriented information websites in terms of average DAUs in China in 2019.

INDUSTRY OVERVIEW

Top 5 Pan-entertainment Oriented Information Websites in China in terms of Average DAUs in 2019

Ranking	Company	Average DAUs (million)	Background
1	<i>Huabian</i>	1.73	See “Business”
2	Website E	0.64	A Chinese film website and its mobile terminal, providing latest movie news and information as well as sales of movie tickets, operated by a private company with a registered capital of RMB10.0 million, founded in 2005
3	Website F	0.60	The official website of the movie channels of the PRC central government, providing online streaming service, operated by a state-owned enterprise with a registered capital of RMB30.0 million, founded in 2010
4	Website G	0.57	An entertainment news website, providing latest news and information relating to TV series, variety shows, movies, stars, etc., starting operation in 2013 and currently operated by a private company with a registered capital of RMB0.1 million
5	Website H	0.10	An entertainment news website, providing latest news and information about popular idols, operated by a private company with a registered capital of RMB10.0 million, founded in 2013

Source: *iResearch*.

Note:

- (1) For purpose of this ranking, only DAUs from the official websites or mobile wap, rather than those derived from other content distribution platforms. Integrated information platforms are not included for comparison.

Future Trends of Short Video Content Production Market in China

The short video content production market in China is expected to be influenced by the following trends:

- **Professionalization of content production.** Given the intense competition in the short video content production market, the content producers are becoming more professional. On one hand, professionals from traditional media, such as 4A advertising companies and film producers, are entering into the short video content production market bringing in their industry knowledge and experiences; on the other hand, MCNs enhance the professional training and support for short video producers and set out industry standard quality control on the production of short videos.
- **Industry-specific content production.** As audiences have differentiated preferences on the themes and topics of short videos and advertisers are from different industries, content producers need to develop industry-specific ideas to create suitable short videos to cater to the diversified tastes of audiences and the different marketing goals of advertisers.

REGULATORY ENVIRONMENT

A summary of the major PRC laws, rules and regulations applicable to our current business and operations is set out below.

REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATION SERVICES

Regulations related to Foreign-invested Telecommunication Services

The Telecommunications Regulations of the PRC (中華人民共和國電信條例) (the “**Telecommunications Regulations**”), promulgated by the State Council on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications service providers in the PRC. The Telecommunications Regulations require telecommunications service providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorise telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalogue of Telecommunications Business (2015 version) (電信業務分類目錄(2015年版)) attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry of the PRC (“**MII**”), which is the predecessor of the Ministry of Industry and Information Technology of the PRC (“**MIIT**”), on June 11, 2001, amended by MII on February 21, 2003 and further amended by MIIT on December 28, 2015 and June 6, 2019, information services provided via fixed network, mobile network and internet fall within value-added telecommunications services.

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

On July 13, 2006, the MII released the Notice on Strengthening the Administration of Foreign Investment in, and Operation of Value-added Telecommunications Business (信息產業部關於加強外商投資經營增值電信業務管理的通知) (the “**MII Notice**”), pursuant to which, if any foreign investor intends to invest in telecommunications business in China, a foreign-invested telecommunications enterprise must be established and such enterprise must apply for the relevant telecommunications business operation licenses. Furthermore, MIIT released the Circular on Regulating the Use of Domain Names in Internet Information Services (關於規範互聯網信息服務使用域名的通知) on November 27, 2017, which provides that the domain names used by the internet information service provider providing internet information service shall be registered and owned by such internet information service provider, and if the internet information service provider is a legal entity, the domain name registrant shall be the legal entity, any of its shareholders, its principal, or senior manager.

REGULATORY ENVIRONMENT

Regulations related to Internet Content Services

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (the “**Internet Measures**”), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. The Internet Measures classified internet information services into commercial Internet information services and non-commercial internet information services, and a commercial operator of internet content provision services must obtain a value-added telecommunications business operating license for the provision of internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Business Operating Licensing (電信業務經營許可管理辦法), which was promulgated by MIIT on March 1, 2009 and amended on July 3, 2017 and became effective on September 1, 2017, regulates that a commercial operator of value-added telecommunications services must first obtain a value-added telecommunications business operating license (the “**ICP License**”) from MIIT or its provincial level counterparts. According to the Administrative Measures for Telecommunications Businesses Operating Licensing, a telecom service operator that has obtained a permit for telecom service operation shall, within the first quarter of the year following the report year, participate in an annual inspection, which inspection MIIT or its provincial level counterpart shall examine thoroughly. Internet information service providers are required to monitor their websites. They may 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. The PRC government may order ICP License holders that violate the content restrictions to correct those violations and revoke their ICP Licenses under serious conditions. As of the Latest Practicable Date, we have obtained the relevant ICP Licenses for our internet information services business.

Regulations related to Mobile Internet Applications Information Services

Mobile internet applications (the “**APPs**”) and the internet application store (the “**APP Store**”) are specifically regulated by the Administrative Provisions on Mobile Internet Applications Information Services (移動互聯網應用程序信息服務管理規定) (the “**APP Provisions**”), which was promulgated by the Cyberspace Administration of China (the “**CAC**”) on June 28, 2016 and became effective on August 1, 2016. The APP Provisions regulate the APP information service providers and the APP Store service providers, while the CAC and its local counterparts shall be responsible for the supervision and administration of nationwide or local APP information respectively. The APP information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfill their obligations provided by the APP Provisions. The APP Store service providers shall fulfill the administrative responsibilities over the application providers. For any application provider who violates the aforementioned provisions, the APP Store service providers shall take measures of warning, suspending the release or withdrawing the applications as the case may be, keep records and report such violation to relevant competent authorities.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (移動智能終端應用軟件預置和分發管理暫行規定) (the “**Mobile Application Interim Measures**”), which took effect on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

REGULATORY ENVIRONMENT

Regulations related to Internet Culture Operation Business

Pursuant to the Interim Administrative Provisions on Internet Culture (互聯網文化管理暫行規定) promulgated by the Ministry of Culture, adopted on February 11, 2011 and amended on December 15, 2017, internet cultural entities refer to entities which are engaged in internet cultural activities and internet cultural entities are classified into operational internet cultural entities and non-operational internet cultural entities. Operational internet cultural entities shall obtain the internet cultural business license, while non-operational internet cultural entities shall make filing with the competent culture administration authorities.

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.

REGULATIONS RELATED TO ADVERTISEMENT

The Advertising Law of the People’s Republic of China (中華人民共和國廣告法) (the “**Advertising Law**”), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on October 27, 1994 and was amended on April 24, 2015 and October 26, 2018, requires advertisers, advertising operators and advertising distributors to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been duly performed and that the relevant approval has been obtained. Without prior consent or request, the advertisers, advertising operators and advertising distributors shall not deliver advertisement to any person’s accommodation or transportation. If the advertisers, advertising operators and advertising distributors display any pop-up advertisement, they shall show the close button clearly to make sure that the viewers can close the advertisement in one-click.

On July 4, 2016, the State Administration for Industry and Commerce (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 regulate any advertisement published on the Internet, including but not limited to, through websites, webpage and APPs, in the form of word, picture, audio and video and provides more detailed guidelines to the advertisers, advertising operators and advertising distributors. 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.

REGULATORY ENVIRONMENT

REGULATIONS RELATED TO RADIO AND TELEVISION PROGRAMS

On August 11, 1997, the State Council promulgated the Administrative Regulations on Radio and Television (廣播電視管理條例), which came into effect on September 1, 1997 and was amended on December 7, 2013 and March 1, 2017. According to the Administrative Regulations on Radio and Television, units for the production and management of radio television programs are established upon the approval of the administrative departments for radio and television under the people's governments at or above the provincial level. Only radio stations, television stations and units for the production and management of radio and television programs can produce radio and television programs. No radio or television station may broadcast any program produced by units which are not licensed to produce and manage radio or television programs.

According to the Provisions for the Administration of the Production and Distribution of Radio and Television Programs (廣播電視節目製作經營管理規定) promulgated by the State Administration of Press, Publication, Radio, Film and Television of the PRC (the "SAPPRFT") on July 19, 2004, which took into effect on August 20, 2004 and was amended on August 28, 2015, October 31, 2018 and October 29, 2020, any business that produces or operates radio or television programs must first obtain a Radio and Television Programs Production and Operation Permit. Entities holding such permits shall conduct their business within the permitted scope as provided in their permits. In addition, foreign-invested enterprises are not allowed to engage in the above-mentioned services.

REGULATIONS RELATED TO INFORMATION SECURITY AND CONFIDENTIALITY OF USER INFORMATION

The PRC government authorities have enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorised disclosure, including the Decision on Maintaining Internet Security (全國人民代表大會常務委員會關於維護互聯網安全的決定) enacted by the SCNPC on December 28, 2000 and amended on August 27, 2009, the Provisions on the Technical Measures for Internet Security Protection (互聯網安全保護技術措施規定) issued by the Ministry of Public Security of the PRC (the "MPS") on December 13, 2005 and effective on March 1, 2006, the Decision on Strengthening Network Information Protection (全國人民代表大會常務委員會關於加強網絡信息保護的決定) promulgated by the SCNPC on December 28, 2012, the Several Provisions on Regulating the Market Order of Internet Information Services (規範互聯網信息服務市場秩序若干規定) issued by MIIT on December 29, 2011 and effective on March 15, 2012, and 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) issued by MIIT on July 16, 2013 and effective on September 1, 2013.

The Provisions on Protection of Personal Information of Telecommunication and Internet Users regulate the collection and use of users' personal information in the provision of telecommunication services and internet information services in the PRC. Telecommunication business operators and internet service providers are required to constitute their own rules for the collecting and use of users' information. Telecommunication business operators and internet service providers must specify the purposes, manners and scopes 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 unauthorised disclosure, damage or loss.

REGULATORY ENVIRONMENT

On November 7, 2016, the SCNPC released the Network Security Law of the PRC (中華人民共和國網絡安全法) (the “**Network Security Law**”), which became effective on June 1, 2017. The Network Security Law requires network operators to perform certain functions related to network security protection and strengthen the network information management. For instance, no network operator may disclose, tamper with or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent a specific person from being identified and such information from being restored. On May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations 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**”). The Interpretations clarify several concepts regarding the crime of “infringement of citizens personal information” stipulated by the Criminal Law of the People’s Republic of China (中華人民共和國刑法).

The Consultation Draft of the New Measures for Data Security Management (數據安全管理辦法(徵求意見稿)) (the “**Draft Measures for Data Security**”) was published by the CAC on May 28, 2019 but has not yet been finalized and effective. The Draft Measure for Data Security regulates online data collection, storage, transmission, processing, usage and other data-related activities as well as data security protection, supervision and management. Pursuant to the Draft Measure for Data Security, website operators shall respectively formulate and disclose rules for the collection and use of personal information through their websites, apps and other products. Website operators who collect important data or personal sensitive information for business purpose shall make filings with the local counterparts of the CAC and shall designate a person in charge of data security who shall possess pertinent management experience and data security expertise as required, and will participate in important decision-making process for data-related activities.

The Draft Measure for Data Security, among others, further requires that (i) collection of personal information of a minor under the age of 14 shall be subject to his/her guardian’s consent; (ii) website operators shall take such measures as data classification, backup, and encryption to strengthen protection of personal information and important data, (iii) a compliant management system shall be built by a website operator, which enables such website operator to respond promptly upon requests for inquiry, correction or deletion of personal information, cancelation of a user account, or receipt of complaints; and (iv) a website operator shall make a filing with its local cyberspace administration authority with respect to its collection of important data or personal sensitive information for business purpose.

The Draft Measure for Data Security embodies an expected PRC regulatory trend to rationalize its online data protection policies in line with prevailing global practice and the legislative efforts to strengthen online protection of personal information and important data. Only Netjoy Network within our Group will be deemed as a website operator under the Draft Measure for Data Security and therefore it will be required to comply with the Draft Measure for Data Security if enacted, as for Netjoy Network having been operating two websites, namely *Huabian* Platform and *hepai.video*, which are involved in online data activities of website users’ data collection, storage and usage. Our Group has developed and implemented a series of data security protection policies and taken technical measures to protect our data. Furthermore, during the Track Record Period and up to the Latest Practicable Date, we have not been imposed any administrative penalty, or convicted of any criminal offense, or involved in any investigation proceeding related to data security. Based on the above, our PRC Legal Advisors are of the view that, except for the requirement in the Draft Measure for Data Security that “a website operator shall make a filing with its local cyberspace administration authority with respect to its collection of important data or personal sensitive information for business purpose”, which could not be satisfied due to the Draft Measure for Data Security having not been enacted and the local cyberspace administration authority has not yet issued any filing guidelines, our online data activities are in compliance with the Draft Measures in all material aspects.

REGULATORY ENVIRONMENT

REGULATIONS RELATED TO INTELLECTUAL PROPERTY

The PRC government authorities have adopted regulations related to intellectual property rights, including copyrights, trademarks and patents. In addition, China is a signatory party to major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement on the International Registration of Marks and Madrid Protocol, the Patent Cooperation Treaty, the Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

Regulations Related to Copyrights

Copyrights in the PRC are protected by the Copyright Law of the PRC (中華人民共和國著作權法) (the “**Copyright Law**”) which was enacted by the SCNPC on September 7, 1990, and amended respectively on October 27, 2001 and February 26, 2010. The Copyright Law provides that works developed by Chinese citizens, legal persons or other organizations is automatically protected immediately upon its creation, with no need to make any application or obtain any approval.

The Computer Software Protection Regulations (計算機軟件保護條例), which was promulgated by the State Council on December 20, 2001 and amended respectively on January 8, 2011 and January 30, 2013, provides for the rights of software copyright owners and relevant matters associated with the protection, registration, licencing and transfer of software copyright, and stipulates that software copyright owners may obtain registration from the software registration authority acknowledged by the copyright administrative department under the State Council. The registration certificate issued by the software registration authority shall be the preliminary evidence for the registration. The Computer Software Copyright Registration Measures (計算機軟件著作權登記辦法) (the “**Software Copyright Measures**”) which was promulgated by the National Copyright Administration of the PRC (the “**NCA**”) on February 20, 2002 regulates the registrations of software copyright, exclusive licencing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China is designated as the software registration authority.

Regulations Related to Trademarks

The Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”) was enacted by the SCNPC on August 23, 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively, and the Implementation Regulations on the Trademark Law of the PRC (中華人民共和國商標法實施條例) were promulgated on August 3, 2002 by the State Council and were amended on April 29, 2014. These laws and regulations provide the basic legal framework for the regulations of trademarks in China. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under the SAIC is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. An applicant can renew the application and reapply for trademark protection 12 months prior to the expiration of the ten-year term.

Regulations Related to Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures for Internet Domain Names (互聯網域名管理辦法) issued by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

REGULATORY ENVIRONMENT

Regulations Related to Patents

According to the Patent Law of the PRC (中華人民共和國專利法) (the “**Patent Law**”) which was promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, with the last amendment effective on October 1, 2009, patent protection is divided into three categories, namely, invention patents, utility model patents and design patents. Invention patents are valid for twenty years from the date of application, while design patents and utility patents are valid for ten years from the date of application. Once an invention patent, or an utility model patent is granted, unless otherwise permitted by law, no individual or entities are permitted to engage in the manufacture, use, sale, or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

REGULATIONS RELATED TO ANTI-MONOPOLY

Pursuant to the Anti-Monopoly Law of the PRC (中華人民共和國反壟斷法) (the “**Anti-Monopoly Law**”), which was promulgated by the SCNPC on August 30, 2007 and effective from August 1, 2008, “dominant market position” shall refer to a position where an operator may manipulate the price, volume and other trade conditions of commodity on a relevant market, or may obstruct or otherwise affect the entrance of other operators into relevant markets. Operators who hold a dominant market position shall be prohibited from engaging in such practices which may be classified as an abuse of said position as: (a) selling products at unfairly high or unfairly low prices, (b) selling products at a price lower than cost without legitimate grounds, (c) refusing to trade with the other trading party without legitimate grounds, (d) forcing the other trading party to trade only with said operator or other operators specified by said operator without legitimate grounds, (e) conducting tie-in sales or adding other unreasonable conditions on a deal without legitimate grounds, (f) discriminating among trading parties of the same qualifications with regard to trade price, etc. without legitimate grounds, or (g) other practices recognised by the Anti-Monopoly Law enforcement authorities as abuse of dominant market position. Furthermore, where an operator violates the provisions of the Anti-Monopoly Law by abusing dominant market position, the Anti-Monopoly Law enforcement authorities shall order a halt to the offending behaviour, confiscate the illegal earnings, and impose a fine of 1% to 10% of the previous year’s sales revenue.

In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen its anti-monopoly enforcement. The SAMR issued the Notice on Anti-monopoly Enforcement Authorization (關於反壟斷授權執法的通知) on December 28, 2018, which grants authorizations to the SAMR’s province-level branches for anti-monopoly enforcement within their respective jurisdictions, and issued the Anti-monopoly Compliance Guideline for Operators (經營者反壟斷合規指南) on September 11, 2020, which applies to operators under the Anti-Monopoly Law for establishing an anti-monopoly compliance management system and preventing anti-monopoly compliance risks.

On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (禁止濫用市場支配地位行為暫行規定), which took effect on September 1, 2019 to further prevent and prohibit the abuse of dominant market positions. In November 2020, the SAMR published a discussion draft of the Guideline on Anti-monopoly of Platform Economy (關於平台經濟領域的反壟斷指南(徵求意見稿)) (the “**Draft Guideline**”) aiming to improve anti-monopoly administration on online platforms. The Draft Guideline, if enacted, will operate as a compliance guidance under the existing PRC anti-monopoly laws and regulations for platform economy operators. As advised by our PRC Legal Advisors, the Draft Guideline was released for consultation purposes, there is substantial uncertainty regarding the Draft Guideline, including with respect to its final content, adoption timeline or effective date.

REGULATORY ENVIRONMENT

REGULATIONS RELATED TO FOREIGN INVESTMENT

Regulations related to Foreign Investment Industrial Policy

The Guidance Catalogue of Industries for Foreign Investment (2017 Revision) (外商投資產業指導目錄(2017年修訂)) (the “**2017 Catalogue**”) was jointly promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017. The 2017 Catalogue divides industries into four categories in terms of foreign investment: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects, and (iv) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment, in certain cases, may enjoy preferential policies or benefits. If restricted, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If prohibited, foreign investment of any kind is not allowed. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (外商投資准入特別管理措施(負面清單)(2018年版)) (the “**2018 Negative List**”) was promulgated by the NDRC and the MOFCOM on June 28, 2018 and became effective on July 28, 2018. The negative list for access of foreign investment specified in the 2017 Catalogue was repealed simultaneously. If foreign investment falls into areas prescribed in the 2018 Negative List, special administrative measures shall apply. The Catalogue of Industries in which Foreign Investment is Encouraged (2019 Revision) (鼓勵外商投資產業目錄(2019年版)) (the “**2019 Catalogue**”) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) (外商投資准入特別管理措施(負面清單)(2019年版)) (the “**2019 Negative List**”), which both become effective on July 30, 2019 and replace the 2017 Catalogue and the 2018 Negative List, further reduce restrictions on the foreign investment. According to the 2019 Negative List and the 2019 Catalogue, the proportion of foreign investments in entities engaged in value-added telecommunications business shall not exceed 50% and the radio and television programs production business remains as prohibited areas for foreign investment.

Regulation related to Foreign-Invested Enterprises

The Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”), which was promulgated by the SCNPC on December 29, 1993 and came into effect on July 1, 1994, subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, provides that companies established in the PRC may take form of company of limited liability or company limited by shares. Each company has the status of a legal person and owns its assets itself. Assets of a company may be used in full for the company’s liability. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

The Wholly Foreign-Owned Enterprises Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-Owned Enterprises Law**”), last amended on September 3, 2016 and came into force on October 1, 2016 and the Implementation Rules on the Wholly Foreign-Owned Enterprises Law of the PRC (中華人民共和國外資企業法實施細則) (the “**Wholly Foreign-Owned Enterprises Implementation Rules**”), last amended on February 19, 2014 and came into force on March 1, 2014 stipulate the establishment procedure of a wholly foreign-owned enterprise, regulations on registered capital, affairs of foreign exchange, accounting practise, taxation and labour service, and other relevant issues. The Decisions by the SCNPC on the Modification of the Wholly Foreign-Owned Enterprises Law of the PRC and Other Four Laws (全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定) issued by the SCNPC on September 3, 2016 has modified the procedures of investment by foreign investor in China, so that foreign investor investing in commercial industry which is not under the restriction of special access administrative measures shall make record-filing with the relevant authorities, which replaced the approval process.

REGULATORY ENVIRONMENT

The Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (中華人民共和國中外合資經營企業法) last amended on September 3, 2016 and came into effect on October 1, 2016, and the Regulations for the Implementation of the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (中華人民共和國中外合資經營企業法實施條例) last amended on March 2, 2019 and came into effect on March 2, 2019, stipulate the establishment procedures, registered capital requirements, foreign exchange matters, finance and accounting, taxation and labor services, and other relevant issues.

In accordance with the Interim Measures on Management of Establishment and Change of Foreign-Owned Enterprises (外商投資企業設立及變更備案管理暫行辦法, “**Interim Measures**”) last amended by the MOFCOM on June 29, 2018 and became effective on June 30, 2018, if the establishment and changes of foreign-invested enterprises does not involve the special access administrative measures prescribed by the PRC government, the examination and approval process is now being replaced by the record-filing administration process with the relevant local authorities of the MOFCOM. On December 30, 2019, the MOFCOM and the SAMR promulgated the Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法), which came into effect on January 1, 2020. After the Measures on Reporting of Foreign Investment Information came into effect, the Interim Measures have been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities according to the Measure on Reporting of Foreign Investment Information.

The Foreign Investment Law (中華人民共和國外商投資法) (the “**FIL 2019**”) was adopted by the National People’s Congress of the PRC on March 15, 2019 and will become effective on January 1, 2020. The FIL 2019 is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL 2019, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the State implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields. Foreign investors’ investment, earnings and other legitimate rights and interests within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The State guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The State guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labour protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in the PRC laws and regulations. Upon the FIL 2019 taking effect on January 1, 2020, the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (中華人民共和國中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (中華人民共和國中外合作經營企業法) and the Wholly Foreign-Owned Enterprises Law shall be repealed accordingly.

REGULATORY ENVIRONMENT

Regulations related to M&A

The Provisions on the 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**”) issued by six PRC governmental authorities effective from September 8, 2006 and amended on June 22, 2009, provide rules related to acquisition of domestic enterprises by foreign investors. According to the M&A Rules, a foreign investor is required to obtain the 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 increased capital in 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 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 if the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for shares of offshore companies.

In addition, pursuant to the Circular of the General Office of the State Council on the Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), which was promulgated on February 3, 2011 and became effective on March 3, 2011, and the Rules of MOFCOM on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定), which was promulgated on August 25, 2011 and became effective on September 1, 2011, where foreign investors initiate mergers and acquisitions of domestic entities related to the national security, which may result in the actual controlling power of foreign investors over those acquired domestic enterprises, the foreign investors shall apply for the security review of the concerned mergers and acquisitions. Please refer to “Risk Factors — Risks Relating to the PRC — The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China” for more information about the above-mentioned regulations.

REGULATIONS RELATED TO TAXATION

Regulations related to 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) (the “**EIT Law**”), which was promulgated by the National People’s Congress of the PRC on March 16, 2007 and became effective on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and the Implementation Rules to the EIT Law (中華人民共和國企業所得稅法實施條例) (the “**Implementation Rules**”), which was promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008 and amended on April 23, 2019, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in the PRC in accordance with PRC laws, or that are established in accordance with the laws of foreign countries (regions) 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 (regions) 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. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its

REGULATORY ENVIRONMENT

income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to the EIT Law and the Implementation Rules, an enterprise certified as a high and new technology enterprise was subject to a preferential enterprise income tax rate of 15%. In accordance with the Measures for Administration of Recognition of High and New Technology Enterprise (高新技術企業認定管理辦法) promulgated on January 29, 2016, an enterprise certified as a high and new technology enterprise is subject to review by the relevant PRC authorities and shall submit the information about the relevant intellectual property, scientific and technical personnel, research and development expense, operating revenue of previous year and other annual status on the required official website.

The Notice on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry (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) (the “**2012 Policy**”), which was promulgated by the MOF and the STA on April 20, 2012 and took effect on January 1, 2011 and the Notice on Issues concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (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) (the “**2016 Policy**”) promulgated by the MOF, the STA, the NDRC and the MIIT on May 4, 2016 and took effect on January 1, 2015, provides that newly established integrated circuit design enterprises and eligible software enterprises shall be exempt from the EIT 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. On May 17, 2019, the MOF and the STA issued the Notice on Enterprise Income Tax Policies for the Integrated Circuit Design and Software Industries (關於集成電路設計和軟件產業企業所得稅政策的公告) (the “**2018 Policy**”), which also provides that legally established and eligible integrated circuit design enterprises and software enterprises shall be exempted from the enterprise income tax for the first and second year after it makes profits and shall be levied thereon at half of the statutory rate of 25% for the third to fifth year until the expiration of the preferential period. The preferential period shall be calculated from the profitable year prior to December 31, 2018. The 2018 Policy further provides that the eligibility criteria set out in 2012 Policy and the 2016 Policy will continue to apply.

According to the Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (國家稅務總局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) issued by the STA on April 22, 2009 and December 29, 2017, the determination of de facto management body shall accord with the principle of substance over form and if an overseas Chinese-funded enterprise concurrently satisfies the certain prescribed conditions, it shall be determined as a resident enterprise whose de facto management body is within China and it shall be subject to the corresponding tax administration and pay the enterprise income tax on its incomes derived from both within and outside China.

On February 3, 2015, STA issued the Announcement on Several Issues Concerning Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “**Circular 7**”), which was amended on October 17, 2017 and December 29, 2017. The Circular 7 repeals certain provisions in the Notice of the STA on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the “**Circular 698**”) issued by the STA on December 10, 2009 and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (關於非居民企業所得稅管理若干問題的公

REGULATORY ENVIRONMENT

告) issued by the STA on March 28, 2011 and clarifies certain provisions in the Circular 698. The Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in PRC, immovable property in the PRC, equity investments in PRC resident enterprises) (“**PRC Taxable Assets**”). For instance, 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 other than to evade enterprise income tax, the Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The Circular 7 lists several factors to be taken into consideration by tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, the overall arrangements in relation to an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Assets; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or during the one year period before the indirect transfer, 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries and branches that directly or indirectly hold the PRC Taxable Assets are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Assets is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbors under the Circular 7 may not be subject to PRC tax under the Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

On October 17, 2017, STA issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (the “**STA Circular 37**”), which took effect on December 1, 2017. According to the STA Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the provisions of the finance and tax authorities of the State Council, the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders' retained earnings such as undistributed profits etc. of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity.

According to the Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgos Economic Development Zones (關於支持喀什霍爾果斯經濟開發區建設的若干意見) promulgated by the State Council on September 30, 2011, and the Notice of the Preferential EIT Policies in relation to Kashgar and Horgos as Two Special Economic Development Zones in Xinjiang (關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知) promulgated by the MOF and the STA on November 29, 2011, from January 1, 2010 to December 31, 2020, the enterprises newly established in Kashgar and Horgos within the Catalogue of EIT Incentives for Industries Particularly Encouraged in Underprivileged Areas of Xinjiang for Development (新疆困難地區重點鼓勵發展產業企業所得稅優惠

REGULATORY ENVIRONMENT

目錄) shall be granted the preferential treatment of five-year EIT exemption since the taxable year when the first business income is obtained.

Based on the Notice of Further Strengthening the Catalogue of EIT Incentives for Industries Particularly Encouraged in Underprivileged Areas of Xinjiang for Development (關於完善新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄的通知) issued by the MOF, the STA, the NDRC and the MIIT on July 29, 2016, advertising creative, advertising planning, advertising design and advertising production industries are included in the Catalogue of EIT Incentives for Industries Particularly Encouraged in Under privileged Areas of Xinjiang for Development (for Trial Implementation) (2016 Edition) (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄(試行)(2016年版)), which enjoy the above-mentioned preferential income tax policies.

Regulations related to Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended on November 19, 2017, and its Implementation Rules (中華人民共和國增值稅暫行條例實施細則) promulgated by the MOF and last amended on October 28, 2011, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay value-added tax (the “VAT”).

On November 16, 2011, the MOF and the STA jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax (營業稅改徵增值稅試點方案). Starting from January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the business tax. Further, on March 23, 2016, the MOF and the STA jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) which confirms that business tax would be completely replaced by the VAT from May 1, 2016.

Pursuant to the Notice of the MOF and the STA on the Adjustment to 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 April 4, 2018 and came into effect on May 1, 2018, the tax 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. Further, pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) jointly issued by the MOF, the STA and the General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, the tax rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Regulations related to Urban Maintenance and Construction Tax and Education Surcharges

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) promulgated by the State Council on October 18, 2010 and implemented on December 1, 2010, foreign-invested enterprises, foreign enterprises and foreign individuals are applicable to the Provisional Regulations of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) (the “**Provisional Regulations on City Maintenance and Construction Tax**”) promulgated by the State Council on February 8, 1985 and implemented on January 1, 1985, and then revised and implemented on January 8, 2011, and the Provisional Regulations for Imposition of Education Surcharges (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and implemented on July 1, 1986, revised on June 7, 1990 and implemented on August 1, 1990, revised on August 20, 2005 and implemented on October 1, 2005, and then revised and implemented on January 8, 2011.

REGULATORY ENVIRONMENT

Pursuant to the Provisional Regulations on City Maintenance and Construction Tax, any taxpayer, whether an entity or individual, of consumption tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax based on the total amount of consumption tax, value-added tax or business tax paid by such taxpayer. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

According to the Provisional Regulations for Imposition of Education Surcharges, all units and individuals who pay the consumption tax, value-added tax and business tax shall pay education surcharges, except the units that pay rural surcharges of operating expenses of education in accordance with the regulations of the Circular of the State Council on Raising Funds for Running Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). The computation of education surcharges shall be based on the amount of value-added tax, business tax, and consumption tax paid by each unit and individual. The education surcharges rate is 3%, and the tax shall be paid together with the payment of value-added tax, business tax, and consumption tax.

Tax Treaties

According to the EIT Law and the Implementation Rules, dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC government provide otherwise. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Hong Kong Double Tax Avoidance Arrangement**”) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Hong Kong Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% if the Hong Kong resident holds more than 25% capital of the PRC resident enterprise.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (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) (the “**Circular 81**”), which was promulgated by the STA on February 20, 2009 and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a 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 Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement. The Circular 81 further stipulates that, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

The Announcement of the STA on Issues Relating to “Beneficial Owner” in Tax Treaties (國家稅務總局關於稅收協定中「受益所有人」有關問題的公告) (the “**Announcement of Beneficial Owner**”) issued by the STA on February 3, 2018 and came into effect on April 1, 2018. The Announcement of Beneficial Owner provided that the “beneficial owner” shall mean a person who has ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counterparty derive dividend income from China, the individual may be determined as a “beneficial owner”.

REGULATORY ENVIRONMENT

REGULATIONS RELATED TO DIVIDEND DISTRIBUTION

Under the Company Law and the Wholly Foreign-Owned Enterprises Law, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by the PRC laws and regulations and have set off financial losses of previous accounting years. For example, the Implementation Regulations of the Wholly Foreign-Owned Enterprises Law of the PRC stipulates that, a wholly foreign-owned enterprises shall retain certain amount from its after-tax profits as reserve fund and employee bonus & welfare fund. The amount retained for the reserve fund shall not be less than 10% of the after-tax profits and the retainment could be stopped when the accumulated retained amount has been reached 50% of its registered capital amount. The amount retained for employee bonus & welfare fund shall be determined by the foreign-invested enterprise itself.

REGULATIONS RELATED TO OFFSHORE INVESTMENT

On July 4, 2014, the SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 37”). The SAFE Circular 37 supersedes the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (返程投資外匯管理所涉業務操作指引) (the “SAFE Circular 13”) with respect to the procedures for SAFE registration under the SAFE Circular 37, which became effective on July 4, 2014 as an attachment to SAFE Circular 37. The SAFE Circular 13 has further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

REGULATIONS RELATED TO STOCK INCENTIVE PLANS

On February 15, 2012, the SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), which became effective immediately, and stipulated that individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions are required to register with the SAFE or its local counterparts and complete certain other procedures through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (國家稅務總局關於股權激勵有關個人所得稅問題的通知) promulgated and became effective on August 24, 2009 by the STA, listed companies and their domestic organizations will, according to the individual income tax calculation methods for “wage and salary income” and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATORY ENVIRONMENT

REGULATIONS RELATED TO FOREIGN EXCHANGE

According to the Regulations of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, together with various regulations issued by the SAFE and other relevant PRC governmental authorities, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interests and dividends. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local branches.

In light of the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (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**”) promulgated by the SAFE on February 13, 2015, effective as of June 1, 2015, the direct investment related foreign exchange registration will be handled directly by banks that have obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that have opened the capital account information system at the foreign exchange regulatory authority in the place where they are located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks. According to the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital at Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知) (the “**Circular 19**”), which was promulgated by the SAFE on March 30, 2015, became effective on June 1, 2015 and amended on December 30, 2019, the foreign exchange capital in the capital account of a foreign-invested enterprise, for which the foreign-invested enterprise has obtained confirmation from the local SAFE branches regarding the rights and interests of monetary contribution (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of such foreign-invested enterprise. The proportion of discretionary settlement of foreign exchange capital is temporarily determined as 100%, subject to the adjustment of the SAFE.

On June 9, 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the “**Circular 16**”). Circular 16 unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretionary Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of Circular 19 or Circular 16 could result in administrative penalties in accordance with the Regulations of the PRC on Foreign Exchange Administration and relevant provisions.

Furthermore, Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the foreign-invested enterprises from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations; (iii) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and (iv) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

REGULATORY ENVIRONMENT

REGULATIONS RELATED TO FOREIGN DEBT

A loan made by foreign investors as shareholders in a foreign invested enterprise is considered to be foreign debt in China and is regulated by various laws and regulations, including the Regulation of the PRC on Foreign Exchange Administration, The Interim Provisions on the Management of Foreign Debts (外債管理暫行辦法) effective on March 1, 2003, the Statistical Monitoring of Foreign Debts Tentative Provisions (外債統計監測暫行規定) effective on August 27, 1987 and the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt (外債統計監測實施細則) effective on January 1, 1998, and the Administrative Measures for Registration of Foreign Debts (外債登記管理辦法) effective on May 13, 2013.

Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches. Pursuant to the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定) effective from March 1, 1987, if the amount of foreign exchange debt of a foreign-invested enterprise exceeds its borrowing limits, the enterprise is required to apply to the relevant PRC regulatory authorities to increase the total investment amount and registered capital to allow the excess foreign exchange debt to be registered with SAFE.

On January 11, 2017, the People's Bank of China (the "PBOC") issued the Circular on the Matters Relating to the Macro-prudential Management of Full-covered Cross-border Financing (關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "PBOC Circular No.9"), which repealed the previous circulars of PBOC. Under PBOC Circular No.9, the outstanding cross-border financings of an enterprise or financial institution shall be calculated using a risk-weight approach and not exceed the specified upper limited, which was determined by the capital or assets of such entities, the cross-border financing leverage ratio and the macro-prudential regulation parameter.

Pursuant to the Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Filing and Registration System for Enterprises' Issuance of Foreign Debts (國家發改委關於推進企業發行外債備案登記制管理改革的通知) issued by NDRC on September 14, 2015, foreign debts refer to debt instruments with a term of one year or more that are borrowed from overseas by domestic enterprises or their controlled overseas enterprises or branch offices. An enterprise that plans to issue foreign debts shall apply to NDRC in advance for filing and if the NDRC decides to accept the filing application, it will issue the Certificate on the Filing and Registration of Foreign Debts Issued by Enterprises. Within ten working days after the completion of each issuance, the issuing enterprise shall report issuance information to the NDRC.

REGULATIONS RELATED TO EMPLOYMENT AND SOCIAL WELFARE

Regulations related to Employment

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "Labour Contract Law"), which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008 and whose amendments made on December 28, 2012 and became effective on July 1, 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

REGULATORY ENVIRONMENT

Regulations related to Social Welfare

Under the applicable PRC laws and regulations, including the Social Insurance Law of The PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011 and amended on December 29, 2018, and the Regulations on the Administration of Housing Fund (住房公積金管理條例), which was amended by the State Council on March 24, 2002 and March 24, 2019, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

RECIPROCAL RECOGNITION AND ENFORCEMENT OF CIVIL AND COMMERCIAL JUDGMENTS

Pursuant to the Arrangement of the Supreme People's Court for the Reciprocal Recognition and Enforcement by the Courts of the Mainland and of the Hong Kong Special Administrative Region of the Judgments of Civil and Commercial Cases Under Consensual Jurisdiction (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), signed on July 14, 2006 and became effective as of August 1, 2008, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR HISTORY

Overview

Our history can be traced back to 2012 when Netjoy Network, a principal operating entity of our Group in the PRC, was established. Mr. Wang and Mr. Qin, both of whom are our Ultimate Controlling Shareholders, joined Netjoy Network as vice general managers shortly after its establishment in charge of its daily operation, and later, together with Mr. Ru, acquired the entire equity interest in Netjoy Network in July 2015. During the period from April 2016 to April 2019, the shares of Netjoy Network were listed on the NEEQ. For the purpose of the Listing, our Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 29, 2019, and as a result of the Reorganization, our Company became the offshore holding company of the current business of our Group, which primarily comprises the online marketing solutions business and the pan-entertainment content services business.

Key Milestones

The following table sets forth the key milestones of our Group:

Year	Milestone
2012	Netjoy Network, a principal operating entity of our Group, was established. Our self-operated pan entertainment-oriented content platform, <i>Huabian</i> Platform, was launched.
2013	Our online marketing solutions business was launched.
2015	Mr. Wang and Mr. Qin, both of whom are our Ultimate Controlling Shareholders, together with Mr. Ru, acquired the entire equity interest in Netjoy Network. Netjoy Network acquired Letui Culture. Jingheng Jianyong invested in our Group as an Onshore Investor.
2016	The shares of Netjoy Network became listed on the NEEQ. We began to acquire user traffic from Supplier A's major content distribution platforms.
2017	Kijiji was introduced into our Group as an Onshore Investor.
2018	Qipu Xinzhe and Wutong Holding were introduced into our Group as the Onshore Investors.
2019	Guzon Asset, Wideview Asset and Aofa Management were introduced into our Group as the Onshore Investors. The shares of Netjoy Network were delisted from the NEEQ. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Milestone
	We commenced the business relationship with Kuaishou (快手) and Xiaohongshu (小紅書).
2020	Our Group entered into the Contractual Arrangements. We commenced the business relationship with Tencent.

CORPORATE DEVELOPMENT

As of the Latest Practicable Date, we had three principal operating entities in the PRC to carry out our business, namely Netjoy Network, Letui Culture and Quantum Culture Media, details of which are set out below.

Netjoy Network

Netjoy Network principally engages in (i) operating our *Huabian* Platform, a pan entertainment-oriented content platform; and (ii) planning and production of short video.

Establishment of Netjoy Network

Netjoy Network was established as a limited liability company in the PRC on November 15, 2012 with an initial registered capital of RMB100,000. At the time of the establishment, Netjoy Network was held as to 50% each by Mr. Chen Peng (陳鵬) and Mr. Li Jinxiang (李金祥), both of whom are Independent Third Parties. On June 16, 2015, the registered capital of Netjoy Network was increased from RMB100,000 to RMB1,000,000, which was proportionately contributed by the then shareholders of Netjoy Network, namely Mr. Chen Peng and Mr. Li Jinxiang.

Acquisition by our Ultimate Controlling Shareholders and early development

Shortly after the establishment of Netjoy Network, Mr. Wang and Mr. Qin joined Netjoy Network and served as vice general managers, respectively in charge of overall operations and management and development of PC products. Having accumulated years of experience in the information technology and advertising industries, Mr. Wang and Mr. Qin started to seek appropriate business opportunity to leverage their specialty and realize their commercial vision in the advertisement and marketing area. After deliberate consideration, Mr. Wang and Mr. Qin decided to acquire Netjoy Network.

On July 6, 2015, Mr. Wang and Mr. Qin, together with Mr. Ru, acquired 51%, 29%, and 20% of equity interest in Netjoy Network, respectively, from the then shareholders of Netjoy Network, namely Mr. Chen Peng and Mr. Li Jinxiang, at a consideration of RMB510,000, RMB290,000, and RMB200,000, respectively, which was determined after arm's length negotiation among the parties with reference to the then registered capital of Netjoy Network and was fully settled on July 31, 2015 by utilizing their own financial resources.

Mr. Ru is an individual financial investor. He later served as a director of Netjoy Network from October 2015 to March 2020 and a supervisor of Netjoy Network from June 2015 to October 2015, during which period he did not participate in the day-to-day operation and management of Netjoy Network or receive any remuneration from our Group. The role of Mr. Ru at Netjoy Network was non-executive in nature at all times. Considering his limited involvement in our Group and his personal intention of not devoting himself to any roles within our Group after the Listing, Mr. Ru resigned from his position at Netjoy Network in March 2020. As of the Latest Practicable Date, our Directors were not aware of any fact or circumstance that might affect Mr. Ru's suitability to act as a Director of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Subsequent to the completion of the above-mentioned transactions and after arm's length negotiations with Mr. Xu and Mr. Dai (both being the then shareholders of Letui Culture), in order to integrate the resources of our *Huabian* Platform with targeted advertising services provided by Letui Culture, Netjoy Network acquired Letui Culture from Mr. Xu and Mr. Dai at a total consideration of RMB1,000,000 on July 17, 2015, details of which are set out in “— Corporate Development — Letui Culture — Acquisition by Netjoy Network.” In relation to the said acquisition of Letui Culture, on July 21, 2015, the registered capital of Netjoy Network was increased from RMB1,000,000 to RMB2,352,941, of which Mr. Xu, Mr. Dai and Netjoy Friends, a limited partnership established by Mr. Wang and Mr. Qin, contributed RMB500,000, RMB500,000, and RMB352,941, respectively. Upon completion of such increase in registered capital, Netjoy Network was held by Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai, Netjoy Friends and Mr. Ru as to approximately 21.68%, 21.25%, 12.33%, 21.25%, 15.00% and 8.50%, respectively.

In order to streamline and optimize the shareholding structure and to ensure the stable ownership and business development of Netjoy Network, as well as to prepare for the listing of Netjoy Network on the NEEQ, Mr. Wang, Mr. Xu and Mr. Qin entered into an acting-in-concert agreement on July 29, 2015 (the “**Original Acting-in-concert Agreement**”), pursuant to which Mr. Wang, Mr. Xu and Mr. Qin had acknowledged and agreed to communicate thoroughly before the respective board meetings and shareholders' meetings of Netjoy Network and act in concert by aligning their votes at the board meetings and shareholders' meetings of Netjoy Network, and agreed to make decisions in concert with Mr. Wang in the event of failing to reach a consensus on the management and operation of Netjoy Network.

On July 20, 2015, Jingheng Jianyong, one of our Onshore Investors, entered into a capital increase agreement with Netjoy Network and its then shareholders, pursuant to which Jingheng Jianyong agreed to invest RMB15,000,000 in Netjoy Network, among which RMB190,779 was recorded as the registered capital with the remaining funds allocated to the capital reserve. Upon completion of such capital increase, the registered capital of Netjoy Network was increased from RMB2,352,941 to RMB2,543,720, and Netjoy Network was held by Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai, Netjoy Friends, Mr. Ru and Jingheng Jianyong as to approximately 20.05%, 19.66%, 11.40%, 19.66%, 13.88%, 7.86% and 7.50%, respectively.

Listing on the NEEQ

In order to improve the brand awareness and corporate governance of Netjoy Network as well as to expand its financial resources, in late 2015, Netjoy Network decided to apply for the listing on the NEEQ. In preparation for the proposed listing, on November 16, 2015, Netjoy Network was converted from a limited liability company into a joint stock company with limited liability, with certain portion of its net assets converted into 20,000,000 issued shares with a nominal value of RMB1.00 each attributable to its then shareholders in proportion to their respective shareholdings, and the rest of the net assets allocated to the capital reserve. On April 21, 2016, all of the 20,000,000 issued shares of Netjoy Network were listed on the NEEQ.

With a view to enhancing the liquidity of the shares and further developing our Group's business, during Netjoy Network's listing on the NEEQ, (i) Netjoy Network had several rounds of proportionate share allotment to existing shareholders, and (ii) some Onshore Investors (excluding Jingheng Jianyong, which invested in Netjoy Network prior to its listing on the NEEQ) were introduced to invest in Netjoy Network either by way of acquisition of shares from existing shareholders or through subscription for newly issued shares, details of which are set forth below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Allotment of shares to existing shareholders as dividends

On May 17, 2016, the shareholders of Netjoy Network resolved to issue 0.75 additional shares per 10 shares to the then shareholders of Netjoy Network as dividends (being 1,500,000 shares in aggregate). Following such distribution, the total issued shares of Netjoy Network was increased from 20,000,000 shares to 21,500,000 shares and its registered capital was also increased from RMB20,000,000 to RMB21,500,000.

On June 9, 2017, the shareholders of Netjoy Network resolved to issue 6 additional shares per 10 shares to the then shareholders of Netjoy Network as dividends (being 12,900,000 shares in aggregate). Following such distribution, the total issued shares of Netjoy Network was further increased to 34,400,000 shares and its registered capital was also increased to RMB34,400,000.

On May 16, 2018, the shareholders of Netjoy Network resolved to issue 4 additional shares per 10 shares to the then shareholders of Netjoy Network as dividends (being 13,760,000 shares in aggregate). Following such distribution, the total issued shares of Netjoy Network was further increased to 48,160,000 shares and its registered capital was also increased to RMB48,160,000.

Investments by the Onshore Investors

On January 9 and January 20, 2017, Kijiji entered into a share transfer agreement with each of Mr. Ru and Mr. Dai, pursuant to which Kijiji acquired 422,000 shares and 640,000 shares of Netjoy Network from Mr. Ru and Mr. Dai at a consideration of RMB8,440,000 and RMB12,800,000 (namely RMB20.0 per share), respectively, which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 21,500,000 total issued shares and was fully settled on April 12, 2017.

On December 18 and December 29, 2017, Kijiji successively entered into two share transfer agreements with Mr. Dai, pursuant to which Kijiji acquired 1,000,000 shares of Netjoy Network in aggregate from Mr. Dai at a total consideration of RMB15,500,000 (namely RMB15.5 per share), which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 34,400,000 total issued shares and was fully settled on January 17, 2018.

On January 23, 2018, Qipu Xinzhe entered into a share transfer agreement with Mr. Ru, pursuant to which Qipu Xinzhe proposed to acquire 500,000 shares of Netjoy Network from Mr. Ru at a consideration of RMB6,250,000. As a result of the increase in allotment of shares which took place on May 16, 2018, Qipu Xinzhe and Mr. Ru entered into a supplemental agreement on June 14, 2018, pursuant to which the number of shares proposed to be transferred was increased into 700,000 (representing the same shareholding acquired as calculated pursuant to the original share transfer agreement) at the same consideration of RMB6,250,000 (namely RMB8.93 per share), which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 48,160,000 total issued shares and was fully settled on June 20, 2018.

On June 6, 2018, considering an optimistic outlook of Netjoy Network, Kijiji entered into a share transfer agreement with each of Mr. Xu and Mr. Dai, pursuant to which Kijiji agreed to further acquire 2,366,000 shares and 993,000 shares of Netjoy Network from Mr. Xu and Mr. Dai at a consideration of RMB28,486,640 and RMB11,955,720 (namely RMB12.04 per share), respectively, which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 48,160,000 total issued shares. Upon subsequent mutual commercial decisions between Kijiji and Mr. Xu and due to certain lock-up restrictions on Mr. Dai pursuant to relevant NEEQ listing rules, Kijiji eventually acquired 2,186,000 shares and 992,000 shares of Netjoy Network from Mr. Xu and Mr. Dai at a consideration of RMB26,319,440 and RMB11,943,680, respectively, which was fully settled on June 20, 2018.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On May 23, 2018 and June 20, 2018, Wutong Holding entered into a strategic investment agreement and a subscription agreement with Netjoy Network, respectively, pursuant to which Wutong Holding subscribed for 5,368,203 newly issued shares of Netjoy Network at a total consideration of RMB78,000,000 (namely RMB14.53 per share), which was determined after arm's length negotiation between the parties with reference to the pre-money valuation of Netjoy Network as of December 31, 2017, and was fully settled on July 17, 2018. The proceeds from the investment of Wutong Holding had been fully utilized as of the Latest Practicable Date as general working capital of our Group. Following such capital increase and issue of shares, the total issued shares of Netjoy Network was increased from 48,160,000 shares to 53,528,203 shares and its registered capital was also increased from RMB48,160,000 to RMB53,528,203.

On January 30, 2019, Guzon Asset entered into a share transfer agreement with Mr. Qin and Netjoy Network, pursuant to which Guzon Asset acquired 1,372,560 shares of Netjoy Network from Mr. Qin at a consideration of RMB20,011,925 (namely RMB14.58 per share), which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 53,528,203 total issued shares and was fully settled on January 31, 2019.

On January 30 and February 25, 2019, Guzon Asset successively entered into two share transfer agreements with Netjoy Friends and Netjoy Network, pursuant to which Guzon Asset acquired 3,771,000 shares of Netjoy Network in aggregate from Netjoy Friends at a total consideration of RMB54,981,180 (namely RMB14.58 per share), which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 53,528,203 total issued shares and was fully settled on March 5, 2019.

On March 6, 2019, Wideview Asset entered into a share transfer agreement with Netjoy Friends and Netjoy Network, pursuant to which Wideview Asset acquired 686,000 shares of Netjoy Network from Netjoy Friends at a consideration of RMB10,001,880 (namely RMB14.58 per share), which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 53,528,203 total issued shares and was fully settled on March 13, 2019.

On March 7, 2019, Ms. Ji Yue entered into a share transfer agreement with Netjoy Friends and Netjoy Network, pursuant to which Ms. Ji Yue acquired 1,372,000 shares of Netjoy Network from Netjoy Friends at a consideration of RMB20,003,760 (namely RMB14.58 per share), which was determined after arm's length negotiation between the parties with reference to the market value of Netjoy Network on the basis of 53,528,203 total issued shares and was fully settled on March 19, 2019. During the Reorganization, Ms. Ji Yue subsequently transferred her equity interest in Netjoy Network to Aofa Management, a company held by Ms. Ji Yue and Mr. Wang Liang, an Independent Third Party, as to 49% and 51%, respectively. For further details, see “— Reorganization — Onshore Reorganization — Transfer of equity interest in Netjoy Network.”

Special rights granted to the Onshore Investors

Pursuant to relevant investment agreements among certain Onshore Investors and Netjoy Network, such Onshore Investors had been granted with some special rights as below.

- *Special right granted to Wutong Holding.* Pursuant to a supplemental agreement to the strategic investment agreement dated May 23, 2018 entered into between Wutong Holding and Netjoy Network, Wutong Holding is entitled to nominate one director to the board of directors of Netjoy Network. Such right has been superseded by the Contractual Arrangements on March 30, 2020.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- *Special rights granted to Guzon Asset and Wideview Asset.* Pursuant to certain supplemental agreements to the share transfer agreements involving Guzon Asset and Wideview Asset as described in “— Corporate Development — Netjoy Network — Listing on the NEEQ — Investments by the Onshore Investors” above, Guzon Asset and Wideview Asset have been granted with certain special rights, including the profit guarantee and share compensations from Mr. Wang and Mr. Xu, as well as the right to request for repurchase by Mr. Wang and Mr. Xu (including Mr. Qin pursuant to the request from Wideview Asset only). The aforementioned special rights shall no longer be effective from one day prior to the filing of the Listing application to the Stock Exchange, unless the Listing application is withdrawn, rejected, returned, lapsed or otherwise fails.

Information of the Onshore Investors

The Onshore Investors became acquainted with our Group through their respective business network and invested in our Group in view of our proven track record and market growth potential. Details of the information of the Onshore Investors are set out below:

Jingheng Jianyong is a limited partnership established under the laws of the PRC in 2015 engaging in equity investments and management in private companies with more than RMB130 million of assets under management, the investment portfolio of which focuses on internet, e-commerce and high-technology. Jingheng Jianyong is managed and controlled by its general partner Beijing Jingheng Investment Management Co., Ltd. (北京靜衡投資管理有限公司) (“**Beijing Jingheng**”), the registered shareholders of which are Ms. Liu Yongyan (劉勇燕) (as to 90%) and Ms. Liu Chenyan (劉晨雁) (as to 10%), each being an Independent Third Party. Ms. Liu Yongyan is currently an executive director of Beijing Jingheng and has over 19 years of experience in investment industry. Jingheng Jianyong became acquainted with our Group in May 2015 and invested in our Group in July 2015 by utilizing the financial resources under its management.

Kijiji is a limited liability company established under the laws of the PRC and is a wholly-owned subsidiary of Baixing Net, the shares of which are listed on the NEEQ (stock code: 836012). Baixing Net is ultimately controlled by Mr. Wang Jianshuo, the chairman of the board of Baixing Net and currently also serving as a non-executive Director of our Company. For detailed information of Mr. Wang Jianshuo, please see “Directors and Senior Management — Board of Directors — Non-executive Directors.” Baixing Net is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants. Kijiji became acquainted with our Group in January 2017 and subsequently invested in our Group by utilizing its general working capital.

Qipu Xinzhe is a limited partnership established under the laws of the PRC in 2017 and is managed and controlled by its sole general partner Shanghai Qipu Investment Management Co., Ltd. (上海啟浦投資管理有限公司) (“**Qipu Capital**”). Qipu Capital primarily engages in private investment with focus on TMT, healthcare and high-end manufacturing industries with approximately RMB570 million of assets under management. The registered shareholders of Qipu Capital are Ms. Dai Yanfei (戴豔斐) (as to 75%) and Mr. Song Chunxing (宋純星) (as to 25%), each being an Independent Third Party. Ms. Dai Yanfei is a founding partner, the general manager and an executive director of Qipu Capital, while Mr. Song Chunxing is the supervisor of Qipu Capital, both of whom have more than 10 years of experience in investment industry. Qipu Xinzhe became acquainted with our Group in October 2017 and invested in our Group in January 2018 by utilizing the financial resources under its management.

Wutong Holding is a limited liability company established under the laws of the PRC in 1999, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300292). Wutong Holding is a leading communications intelligent manufacturing company and internet information service provider in the PRC primarily engaging in the provision of mobile information service, digital marketing service and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

communication intelligent manufacturing service, and is ultimately controlled by Mr. Wan Weifang (萬衛方), an Independent Third Party. Mr. Wan Weifang has over 30 years of experience in the communication equipment manufacturing industry and has been the chairman of the board of directors of Wutong Holding (including its predecessor) since 1999. In addition, Mr. Zhang Jianguo, one of our non-executive Directors, currently serves as the president and a director of Wutong Holding. For detailed information of Mr. Zhang Jianguo, see “Directors and Senior Management — Board of Directors — Non-executive Directors.” Wutong Holding became acquainted with our Group in October 2017 and invested in our Group in May 2018 by utilizing its general working capital.

Guzon Asset is a limited liability company established under the laws of the PRC in 2015 engaging in equity investment activities with approximately RMB90 million of assets under management. The sole registered shareholder and the general manager of Guzon Asset is Mr. Chen Shengfei (陳聖飛), an Independent Third Party who has approximately seven years of experience dedicating in asset management. Guzon Asset became acquainted with our Group in May 2018 and invested in our Group in January 2019 by utilizing the financial resources under its management.

Wideview Asset is a limited liability company established under the laws of the PRC in 2014 engaging in assets management and private investment business with approximately RMB10 billion of assets under management. The registered shareholders of Wideview Asset are Mr. Xu Jingde (徐京德) (as to 70%), Mr. Zhen Xinzong (甄新中) (as to 20%), Mr. Cai Zhen (蔡楨) (as to 5%), and Mr. Liang Li (梁力) (as to 5%), each being an Independent Third Party and a investment partner of Wideview Asset. Mr. Xu Jingde, the executive director and the largest ultimate registered shareholder of Wideview Asset, has more than 20 years of experience in financial industry. Wideview Asset became acquainted with our Group in February 2019 and invested in our Group in March 2019 by utilizing the financial resources under its management.

Ms. Ji Yue is an individual private investor who from time to time participates in various investment opportunities in different target companies encompassing various business sectors. During the Reorganization, Ms. Ji Yue transferred her equity interest in Netjoy Network to Aofa Management. Aofa Management is a limited liability company established under the laws of PRC for investment holding purpose and is held by Ms. Ji Yue and Mr. Wang Liang, an Independent Third Party, as to 49% and 51%, respectively. Mr. Wang Liang was the spouse of Ms. Ji Yue at the time of Ms. Ji Yue’s initial investment in our Group. He is a professional with almost 10 years of experience in internet and venture investment industries. Ms. Ji Yue and Mr. Wang Liang became acquainted with our Group in April 2016 and invested in our Group in March 2019 by utilizing their personal financial resources. For further details of the aforementioned equity transfer, see “— Reorganization — Onshore Reorganization — Transfer of equity interest in Netjoy Network.”

For further details of the past or present relationship among the Onshore Investors and between each of the Onshore Investors and our Group, see “Appendix IV — Statutory and General Information — E. Other Information about the Onshore Investors.”

NEEQ Public Shareholders

During Netjoy Network’s listing on NEEQ, certain minority investors (the “**NEEQ Public Shareholders**”) traded the securities of Netjoy Network with the existing shareholders of Netjoy Network, which were conducted through the trading system of NEEQ based on arm’s length negotiation between the parties thereof with reference to (i) the then publicly available financial information of Netjoy Network as disclosed in accordance with the relevant rules of NEEQ, (ii) the then recent trading price of the shares of Netjoy Network, and/or (iii) the original purchase price of the shares of Netjoy Network, where applicable.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Four NEEQ Public Shareholders first acquired a total of approximately 0.0651% equity interest in Netjoy Network in March 2017, and a total of nine NEEQ Public Shareholders successively held shares of Netjoy Network during Netjoy Network's listing on NEEQ. In March 2019, six NEEQ Public Shareholders disposed a total of approximately 1.2355% equity interest in Netjoy Network to Mr. Dai at a total consideration of RMB9,867,166, upon completion of which no NEEQ Public Shareholder held any equity interest in Netjoy Network anymore. Throughout the aforementioned period, the NEEQ Public Shareholders in aggregate held no more than 1.4% equity interest in Netjoy Network and none of the NEEQ Public Shareholders individually held over 0.9% equity interest in Netjoy Network.

To the best knowledge of our Directors, (i) each of the NEEQ Public Shareholders was an Independent Third Party; and (ii) there was no actual or potential claims from the NEEQ Public Shareholders in relation to their then equity interest in Netjoy Network.

De-listing from the NEEQ

In consideration of future business strategy and the necessity to improve the financing efficiency of our Group as well as the desire to explore for a listing on other stock exchanges including the Stock Exchange, on March 28, 2019, the shareholders of Netjoy Network resolved to apply for de-listing of Netjoy Network from the NEEQ. On April 19, 2019, Netjoy Network was delisted from the NEEQ. On the date of de-listing, the shareholders of Netjoy Network resolved to approve, among others, the conversion of Netjoy Network from a joint stock company with limited liability into a limited liability company.

Immediately after the delisting from the NEEQ, the then shareholding structure of Netjoy Network is set out as below:

Shareholder	Attributable registered capital (RMB)	Approximate percentage of shareholding
Mr. Wang	9,726,080	18.17%
Mr. Xu	7,282,256	13.60%
Mr. Dai	5,992,656	11.20%
Mr. Qin	4,117,680	7.69%
Mr. Ru	2,140,096	4.00%
Kijiji	6,956,880	13.00%
Wutong Holding	5,368,203	10.03%
Guzon Asset	5,143,560	9.61%
Jingheng Jianyong	3,612,000	6.75%
Ms. Ji Yue	1,372,000	2.56%
Qipu Xinzhe	700,000	1.31%
Wideview Asset	686,000	1.28%
Netjoy Friends ⁽¹⁾	430,792	0.80%
Total	53,528,203	100%

Note:

- (1) Netjoy Friends was originally established as an employee incentive platform of Netjoy Network, which was funded by the interests of Mr. Wang and Mr. Qin. As the liquidity of shares on the NEEQ could not effectively fulfill the incentive purpose, the management team of Netjoy Network did not implement any employee incentive plan through Netjoy Friends and decided to adopt alternative approaches afterwards, including offering performance-related bonuses and adopting the Post-IPO Share Option Scheme. During the period when Netjoy Friends was a shareholder of Netjoy Network, it was held by Mr. Wang and Mr. Qin as to 1% and 99%, respectively. Subsequent to transferring its remaining equity interest in Netjoy Network as set forth in “— Reorganization — Onshore Reorganization — Transfer of equity interest in Netjoy Network,” Netjoy Friends was deregistered on March 13, 2020.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As confirmed by our Directors to their best knowledge, with which the Sole Sponsor concurs, during the period in which Netjoy Network was listed on the NEEQ, (i) Netjoy Network had operated in compliance in all material respects with all applicable rules of NEEQ; (ii) Netjoy Network had not been subject to any administrative penalty imposed by any relevant law enforcement authority; and (iii) there are no other issues in relation to its prior listing on the NEEQ that need to be brought to the attention of our Shareholders.

Letui Culture

Letui Culture principally engages in overall management of our online marketing solutions business.

Establishment of Letui Culture

On December 19, 2013, Letui Culture was established as a limited liability company in the PRC with an initial registered capital of RMB1,000,000. At the time of establishment, Letui Culture was held by Mr. Xu and Mr. Dai as to 50% and 50%, respectively.

Acquisition by Netjoy Network

On July 1, 2015, Mr. Xu and Mr. Dai respectively entered into an equity transfer agreement with Netjoy Network, pursuant to which each of Mr. Xu and Mr. Dai agreed to transfer all his equity interest in Letui Culture to Netjoy Network at a total consideration of RMB1,000,000, which was determined based on arm's length negotiation between the parties with reference to an appraised net asset value of Netjoy Network and was fully settled on July 21, 2015. Upon completion of such equity transfer, Letui Culture became a wholly-owned subsidiary of Netjoy Network.

Transfer of equity interest

On June 10, 2019, a capital increase agreement was entered into by Netjoy Network and Zheng Han, a company incorporated in Hong Kong and wholly owned by Mr. Ku Ching-Teng (古景騰) (“**Mr. Ku**”), an Independent Third Party prior to the investment and an individual private investor, pursuant to which Zheng Han agreed to invest RMB360,000 in Letui Culture, among which RMB101,010 was recorded as the registered capital with the rest of the funds allocated to the capital reserve. The consideration of the aforementioned capital increase was determined based on the net asset value of Letui Culture and was fully settled on November 8, 2019. Upon the completion of such capital increase, the registered capital of Letui Culture was increased from RMB10,000,000 to RMB10,101,010, and Letui Culture, being a sino-foreign joint venture, was held by Netjoy Network and Zheng Han as to 99% and 1%, respectively.

On November 29, 2019, an equity transfer agreement was entered into by Yunxiang Information and Netjoy Network, pursuant to which Yunxiang Information agreed to acquire 99% of equity interest in Letui Culture from Netjoy Network at a consideration of RMB35.64 million, which was determined based on the net asset value of Letui Culture and was settled on December 6, 2019. Upon the completion of such equity transfer, Letui Culture was held by Yunxiang Information and Zheng Han as to 99% and 1%, respectively.

Quantum Culture Media

Quantum Culture Media principally engages in implementing certain workflow of the online marketing solutions, which includes, among other, placement of advertisements, campaign performance monitoring and optimization, and data verification and settlement.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Establishment of Quantum Culture Media

On June 8, 2017, Quantum Culture Media was established as a limited liability company in the PRC with an initial registered capital of RMB1,000,000. At the time of establishment, Quantum Culture Media was wholly owned by Netjoy Network.

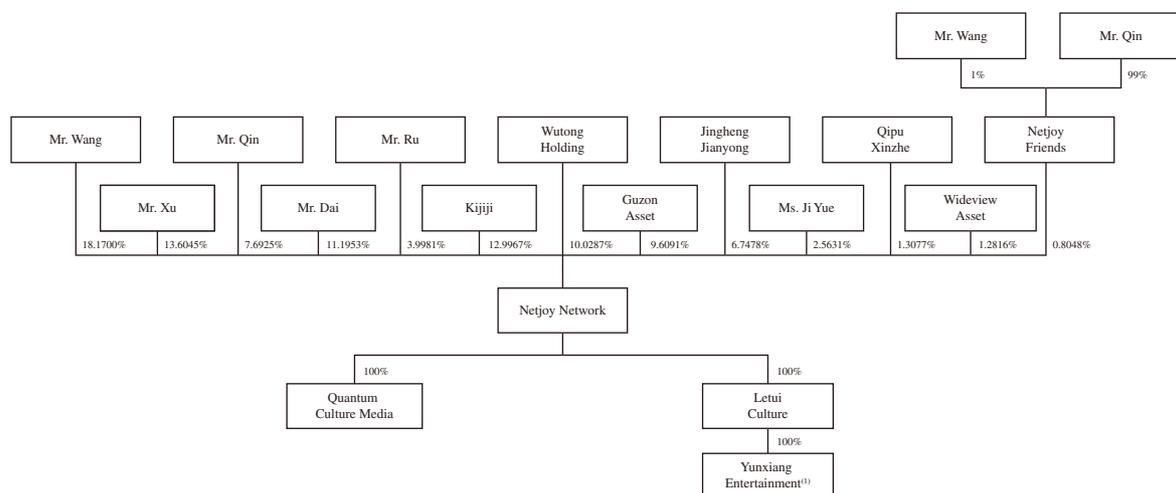
Transfer of equity interest

On May 21, 2019, Letui Culture acquired the entire equity interest in Quantum Culture Media from Netjoy Network at a consideration of RMB1.00, which was determined based on the net asset value of Quantum Culture Media and was fully settled on June 6, 2019. Upon completion of such equity transfer, Quantum Culture Media became a wholly-owned subsidiary of Letui Culture.

REORGANIZATION

In order to optimize our corporate structure to further develop the business of our Group and to more readily access the international capital markets, we underwent a corporate reorganization in preparation for the Global Offering and the Listing, details of which are set out as below.

The following chart sets forth the corporate and shareholding structure of our Group prior to the Reorganization:



Note:

- (1) Yunxiang Entertainment was established before the Reorganization. It is not a major subsidiary of our Group and has no material changes in its shareholding structure during the Track Record Period.

Onshore Reorganization

De-listing of Netjoy Network from the NEEQ

On April 19, 2019, Netjoy Network was delisted from the NEEQ. For further details, see “— Corporate Development — Netjoy Network — De-listing from the NEEQ.”

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Transfer of equity interest in Netjoy Network

On May 8, 2019, certain shareholders of Netjoy Network entered into an equity transfer agreement regarding the shareholding interest in Netjoy Network, details of which are set out below:

<u>Transferor</u>	<u>Transferee</u>	<u>Subject</u>	<u>Consideration (RMB)</u>	<u>Date of payment or satisfaction of payment</u>
Ms. Ji Yue	Aofa Management ⁽¹⁾	2.5631% shareholding in Netjoy Network	20,003,760	May 15, 2019
Mr. Qin	Mr. Xu	2.4277% shareholding in Netjoy Network	18,947,030	May 17, 2019
Netjoy Friends	Mr. Wang	0.8048% shareholding in Netjoy Network	6,280,994	November 5, 2019

Note:

(1) Aofa Management is held by Ms. Ji Yue and Mr. Wang Liang, an Independent Third Party, as to 49% and 51%, respectively.

The consideration of the above-mentioned transactions was determined on the same basis as the last round of investment in Netjoy Network prior to its delisting from the NEEQ, namely RMB14.58 per share. Upon completion of the above-mentioned transactions, the then shareholding structure of Netjoy Network is set out as below:

<u>Shareholder</u>	<u>Attributable registered capital (RMB)</u>	<u>Approximate percentage of shareholding</u>
Mr. Wang	10,156,872	18.97%
Mr. Xu	8,581,778	16.03%
Mr. Dai	5,992,656	11.20%
Mr. Qin	2,818,158	5.26%
Mr. Ru	2,140,096	4.00%
Kijiji	6,956,880	13.00%
Wutong Holding	5,368,203	10.03%
Guzon Asset	5,143,560	9.61%
Jingheng Jianyong	3,612,000	6.75%
Aofa Management	1,372,000	2.56%
Qipu Xinzhe	700,000	1.31%
Wideview Asset	686,000	1.28%
Total	53,528,203	100%

Restructuring of our non-restricted and/or non-prohibited business

For the purpose of consummating the Contractual Arrangements which shall be narrowly tailored in accordance with the requirements of the Stock Exchange, we underwent the following restructuring steps with respect to the business that is not subject to any foreign investment restriction or prohibition.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Transfer of equity interest in Quantum Culture Media

On May 21, 2019, Letui Culture acquired the entire equity interest in Quantum Culture Media from Netjoy Network. For further details, see “— Corporate Development — Quantum Culture Media — Transfer of equity interest.” Upon completion of such equity transfer, Quantum Culture Media became a wholly-owned subsidiary of Letui Culture.

Establishment of Yunxiang Information

On August 29, 2019, Yunxiang Information was established by Netjoy HK in the PRC as a wholly-foreign-owned enterprise with a registered capital of RMB50,000,000.

Transfer of equity interest in Letui Culture

On November 8, 2019, Zheng Han invested HKD402,685 (equal to approximately RMB360,000) in Letui Culture, among which RMB101,010 was recorded as the registered capital with the rest of the funds allocated to the capital reserve. Upon the completion of such capital increase, Letui Culture was held by Netjoy Network and Zheng Han as to 99% and 1%, respectively.

On December 6, 2019, Yunxiang Information acquired the 99% of equity interest in Letui Culture from Netjoy Network. Upon completion of such equity transfer, Letui Culture was held by Yunxiang Information and Zheng Han as to 99% and 1%, respectively.

For further details, see “— Corporate Development — Letui Culture — Transfer of equity interest.”

Offshore Reorganization

Incorporation of offshore holding companies

In March 2019, each of our Ultimate Controlling Shareholders, Mr. Dai and Mr. Ru (all being the shareholders of Netjoy Network and the ultimate beneficial owners of our Company after completion of the Reorganization) had respectively incorporated a wholly-owned investment holding company in the BVI (the “**Offshore Holding Company**”), details of which are set out as below:

<u>Company name</u>	<u>Date of incorporation</u>	<u>Shareholder(s)</u>	<u>Equity interest</u>
Derun Investments	March 13, 2019	Mr. Wang	100%
Quantum Computing	March 13, 2019	Mr. Xu	100%
Global Awesomeness	March 13, 2019	Mr. Dai	100%
CareFree Planning	March 13, 2019	Mr. Qin	100%
Luminous Stars	March 14, 2019	Mr. Ru	100%

Incorporation of our Company and offshore subsidiaries

On March 29, 2019, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US\$50,000 divided into 50,000 Shares with a par value of US\$1.00 each. On the same day, one Share was allotted and issued for cash at par to the initial subscriber, and was subsequently transferred to Derun Investments, a company wholly owned by Mr. Wang.

On April 4, 2019, Netjoy BVI was incorporated in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On the same day, one share was allotted and issued to our Company for a consideration of US\$1.00, and Netjoy BVI became a directly wholly-owned subsidiary of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On April 26, 2019, Netjoy HK was incorporated in Hong Kong with a total issued share capital of HK\$1.00. On the same day, one share was allotted and issued to Netjoy BVI for a consideration of HK\$1.00, and Netjoy HK became an indirectly wholly-owned subsidiary of our Company.

Share sub-division and allotment to the Offshore Holding Companies and the Onshore Investors

On November 8, 2019, the authorized share capital of our Company of US\$50,000 was subdivided from 50,000 Shares with a par value of US\$1.00 each to 1,000,000,000 Shares with a par value of US\$0.00005 each.

On the same date, the one Share previously issued to Derun Investments was canceled and our Company allotted and issued an aggregate of 535,282,030 new Shares at par value to the Offshore Holding Companies and the Onshore Investors. Upon completion, the then shareholding structure of our Company is set out as below:

Company name	Number of Shares	Approximate percentage of shareholding
Derun Investments	101,568,720	18.97%
Quantum Computing	85,817,780	16.03%
Global Awesomeness	59,926,560	11.20%
CareFree Planning	28,181,580	5.26%
Luminous Stars	21,400,960	4.00%
Kijiji	69,568,800	13.00%
Wutong Holding	53,682,030	10.03%
Guzon Asset	51,435,600	9.61%
Jingheng Jianyong	36,120,000	6.75%
Aofa Management	13,720,000	2.56%
Qipu Xinzhe	7,000,000	1.31%
Wideview Asset	6,860,000	1.28%
Total	535,282,030	100 %

Establishment of the family trusts

On November 13, 2019, for succession and estate planning purpose, our Ultimate Controlling Shareholders, Mr. Dai and Mr. Ru set up their respective Family Trusts. On November 28, 2019, each Offshore Holding Company transferred the Shares held by it to the Direct Holding SPV (as defined below) of the relevant Family Trust at nominal consideration. PraxisIFM Nerine Fiduciaries (Hong Kong) Limited acts as the trustee (the “Trustee”) for each Family Trust, further details of which are set out as below.

Trust name	Settlor ⁽¹⁾	Economic settlor and protector	Beneficiaries ⁽²⁾	Intermediary holding SPV ⁽³⁾	Direct holding SPV ⁽⁴⁾
The Longhills Trust	Derun Investments	Mr. Wang	Derun Investments and other beneficiaries as nominated by Mr. Wang from time to time	Derun International	Wang SPV
The FS Trust	Quantum Computing	Mr. Xu	Quantum Computing and other beneficiaries as nominated by Mr. Xu from time to time	FSS Investment	Xu SPV

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Trust name	Settlor ⁽¹⁾	Economic settlor and protector	Beneficiaries ⁽²⁾	Intermediary holding SPV ⁽³⁾	Direct holding SPV ⁽⁴⁾
The MH's Family Trust . . .	CareFree Planning	Mr. Qin	CareFree Planning and other beneficiaries as nominated by Mr. Qin from time to time	SpringRain Planning	Qin SPV
The RGRGU Trust	Global Awesomeness	Mr. Dai	Global Awesomeness and other beneficiaries as nominated by Mr. Dai from time to time	Baxter Investment	Dai SPV
The Ru Liang's Trust	Luminous Stars	Mr. Ru	Luminous Stars and other beneficiaries as nominated by Mr. Ru from time to time	Jingke International	Ru SPV

Notes:

- (1) Each of these companies is the Offshore Holding Company wholly owned by the economic settlor and protector of the relevant Family Trust, and directly held the Shares prior to the establishment of the relevant Family Trust. Pursuant to the trust deed of the relevant Family Trust, the settlor is entitled to revoke the relevant Family Trust, remove the Trustee and appoint a new trustee to the relevant Family Trust at its sole discretion, and the Trustee can only exercise the investment power as to the trust properties under the relevant Family Trust (including the disposal of the Shares beneficially owned by the relevant Family Trust) in accordance with the directions of the settlor.
- (2) As of the Latest Practicable Date, there is no other beneficiary nominated by the relevant economic settlor and protector save as disclosed herein.
- (3) Each of these companies is the intermediary holding vehicle set up by the Trustee for the administration of the relevant Family Trust (the “**Intermediary Holding SPV**”) and the immediate shareholder of the relevant Direct Holding SPV (as defined below). PIFM One Limited, an Independent Third Party nominated by the Trustee, acts as the sole director of the relevant Intermediary Holding SPV.
- (4) Each of these companies is the vehicle directly holding the Shares on behalf of the relevant Family Trust (the “**Direct Holding SPV**”). The economic settlor and protector of the relevant Family Trust acts as the sole director of the relevant Direct Holding SPV and is therefore able to directly exercise the voting rights attached to the Shares held by the relevant Direct Holding SPV.

Share swap between Zheng Han and our Company

On March 5, 2020, a share swap agreement was entered into between our Company and Mr. Ku, the then sole shareholder of Zheng Han, pursuant to which Mr. Ku agreed to subscribe for 247,053 newly issued Shares of our Company as the consideration in exchange for the entire equity interest in Zheng Han. Zheng Han held 1% of equity interest in Letui Culture at the time of the share swap. The consideration was determined based on arm's length negotiation between the parties with reference to a post-money valuation of RMB780 million of our Group and taking into account the initial investment cost in Letui Culture by Zheng Han. Upon completion of such share swap on March 30, 2020, both Zheng Han and Letui Culture became the wholly-owned subsidiaries of our Company.

Increase of authorized share capital

On November 17, 2020, the authorized share capital of our Company was further increased to US\$150,000 which was divided into 3,000,000,000 Shares with a par value of US\$0.00005 each.

Contractual Arrangements

In order for us to operate the business of Netjoy Network in compliance with the relevant PRC laws and regulations, we entered into the Contractual Arrangements with Netjoy Network and its registered shareholders on March 30, 2020. For further details, see “Contractual Arrangements.”

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Acting in Concert Arrangement

To streamline and optimize the shareholding structure and to ensure the stable ownership and business development of our Group, on March 30, 2020, our Ultimate Controlling Shareholders, together with their respective Offshore Holding Companies and the Direct Holding SPVs of their respective Family Trusts (collectively, the “**AIC Parties**”), entered into an acting-in-concert agreement (the “**Acting-in-concert Agreement**”), pursuant to which, (i) our Ultimate Controlling Shareholders confirmed that they had been parties acting in concert in relation to the exercise of their voting rights at the board meetings and shareholders’ meetings of Netjoy Network since July 29, 2015 when the Original Acting-in-concert Agreement was entered into; (ii) the AIC Parties have acknowledged and agreed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, communicate thoroughly and act in concert by aligning their votes at the board meetings and shareholders’ meetings of the members of our Group (where applicable) until the earlier of (i) any of Wang SPV, Xu SPV or Qin SPV ceases to be interested in the Shares, (ii) any of Mr. Wang, Mr. Xu or Mr. Qin ceases to hold any position in the Group, (iii) the collective shareholding held by Wang SPV, Xu SPV and Qin SPV in our Company is less than 30%, or (iv) the Acting-in-concert Agreement is terminated by agreement among the AIC Parties.

For further details of the acting-in-concert arrangement among our Ultimate Controlling Shareholders since July 29, 2015 with respect to Netjoy Network, see “— Corporate Development — Netjoy Network — Acquisition by our Ultimate Controlling Shareholders and early development.”

As confirmed by our PRC Legal Advisors, our Group has obtained all regulatory approvals in connection with the Reorganization as required under the relevant PRC laws and regulations, and the Reorganization has been properly and legally completed in compliance with all applicable PRC laws and regulations.

PRE-IPO INVESTMENT

To consummate the Reorganization, Mr. Ku was introduced to our Group as the Pre-IPO Investor in 2019.

Principal Terms of the Pre-IPO Investment

In addition to the information as described in “— Reorganization” above, the following table sets forth other key particulars of the Pre-IPO Investment:

<u>Total number of Shares subscribed</u>	<u>Date of relevant agreement</u>	<u>Total consideration</u>	<u>Date on which the consideration was fully settled</u>	<u>Cost per share (after taking into account the Capitalization Issue)</u>	<u>Discount to the maximum Offer Price</u>
247,053	June 10, 2019	HKD402,685 ⁽¹⁾	November 8, 2019	HKD1.45	79.52%

Note:

- (1) The consideration was determined based on arm’s length negotiation between the parties with reference to a post-money valuation of RMB780 million of our Group, which served as the general working capital of our Group and was fully utilized as of the Latest Practicable Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Mr. Ku is an Independent Third Party prior to his investment in our Group. He is an individual private investor and a professional with extensive experience in securities and investment industry. Mr. Ku currently holds senior management positions in Guzon Investment Management Group Co., Ltd. (巨漳投資管理集團有限公司) and its subsidiaries (including Shenzhen Qianhai Guzon Capital Management Co., Ltd. (深圳前海巨漳資本管理有限公司)), which primarily engage in equity investment activities. By leveraging his industry experience, we believe that Mr. Ku will provide market insights and valuable recommendations to our Group on our operations and strategic development directions.

Mr. Ku's investment in our Group was a crucial step for us to consummate the Reorganization. As Mr. Ku is a non-domestic natural person and was not connected with our Group before his investment, upon completion of his subscription of 1% equity interest in Letui Culture through his then wholly-owned entity Zheng Han, Letui Culture was converted into a sino-foreign joint venture, which has enabled Yuxiang Information to acquire the remaining 99% equity interest in Letui Culture in compliance with applicable PRC laws and regulations, and has further enabled us to reorganize our non-restricted and non-prohibited business in accordance with the requirements of the Stock Exchange that the Contractual Arrangements shall be narrowly tailored.

There were no special rights granted to Mr. Ku. The Shares held by Mr. Ku are subject to a lock-up period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date. As of the Latest Practicable Date, Mr. Ku served as a director of Letui Culture, therefore Mr. Ku is a core connected person of our Group and the Shares held by Mr. Ku will not be counted towards the public float upon the Listing for the purpose of Rule 8.08 of the Listing Rules.

The Sole Sponsor has confirmed that the Pre-IPO Investment is in compliance with the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

LOCK-UP BY OUR SHAREHOLDERS

Our Controlling Shareholders (a group of AIC Parties) have issued the undertakings to the Stock Exchange under the Listing Rules and pursuant to the Hong Kong Underwriting Agreement with respect to, among others, the lock-up arrangement as to the Shares held by them. See "Underwriting - Underwriting Arrangements and Expenses - The Hong Kong Public Offering - Undertakings to the Stock Exchange under the Listing Rules" and "Underwriting - Underwriting Arrangements and Expenses - The Hong Kong Public Offering - Undertakings pursuant to the Hong Kong Underwriting Agreement" for details.

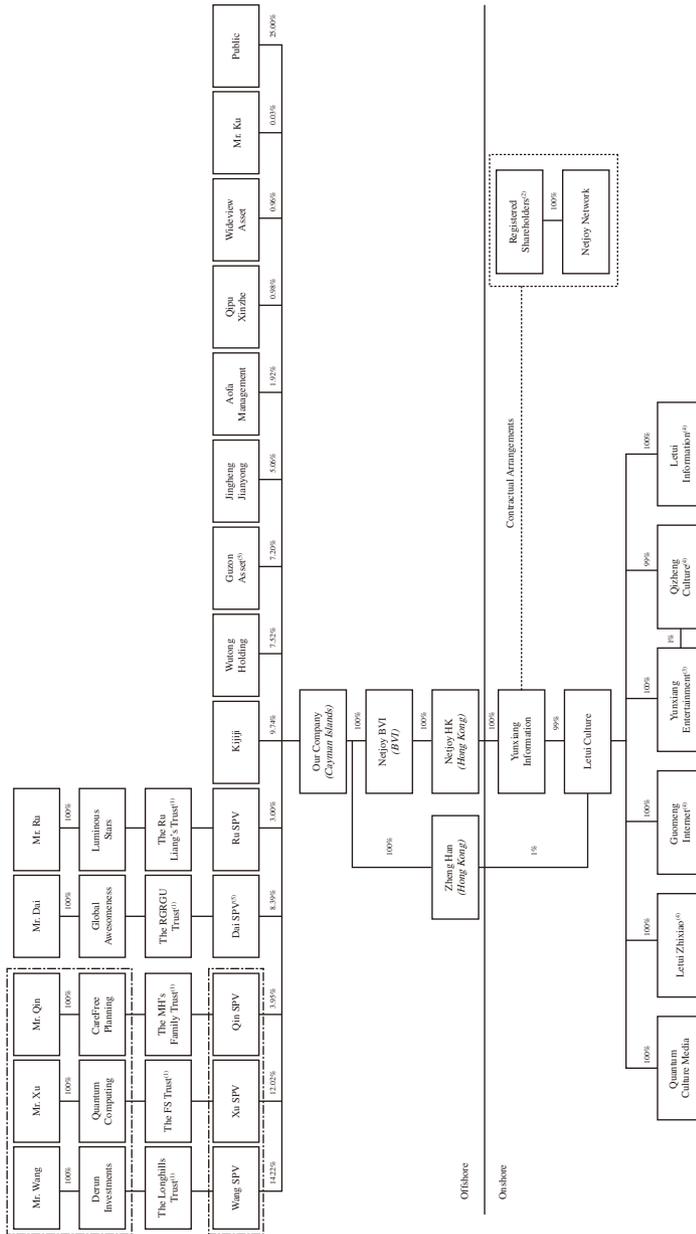
Each of the existing Shareholders other than the Controlling Shareholders, namely Dai SPV, Ru SPV, Guzon Asset, Kijiji, Wideview Asset, Wutong Holding, Jingheng Jianyong, Aofa Management, Qipu Xinzhe, and Mr. Ku, has issued a deed of lock-up undertaking, pursuant to which all or part of the Shares held by them shall be subject to the lock-up period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date. See "Underwriting - Lock-up - Undertaking by non-controlling shareholders" for details.

CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 64,470,917 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of USD3,223.54585 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the then existing issued Shares.

Corporate Structure immediately following the Global Offering

The following charts set forth the shareholding structure of our Group immediately after the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme):



Notes:

- (1) "....." denotes the AIC Parties, being a group of Controlling Shareholders of our Company.
- (2) "....." denotes Contractual Arrangements.
- (3) For more details of the relevant Family Trust, see "Offshore Reorganization — Establishment of the family trusts."
- (4) For more details of the Registered Shareholders, see "Contractual Arrangements."
- (5) Yunxiang Entertainment was established before the Reorganization. It is not a major subsidiary of our Group and has no material changes in its shareholding structure during the Track Record Period.
- (6) Letui Zhixiao, Guomeng Internet, Qizheng Culture and Letui Informator were established along with the Reorganization. Each of them is not a major subsidiary of our Group and has no material changes in its shareholding structure during the Track Record Period other than our acquisition of the remaining 30% equity interest in Guomeng Internet from an Independent Third Party at nominal consideration which was completed on October 10, 2019.
- (7) Dai SPV and Guozon Asset are the Over-allotment Option Grantors, particulars of which are set out in "Appendix IV — Statutory and General Information — F. Other Information — 12. Particulars of the Over-allotment Option Grantors." After the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is fully exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), the percentages of shareholding in our Company held by Dai SPV and Guozon Asset are 6.52% and 5.33%, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

The Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

Pursuant to the M&A Rules, (i) where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM; and (ii) 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 interest in the PRC companies in exchange for the shares of offshore companies.

Pursuant to article 11 of the M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM.

Our PRC Legal Advisors are of the opinion that article 11 of the M&A Rules are not applicable to the acquisition of 99% equity interest in Letui Culture by Yunxiang Information as Letui Culture was a sino-foreign joint venture upon completion of Mr. Ku's subscription of 1% equity interest in Letui Culture through his then wholly-owned entity Zheng Han, therefore it is not necessary for us to obtain any prior approval from the MOFCOM for such acquisition.

Pursuant to the Interim Measures for the Administration of Establishment and Modification Registration of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Interim Measures**”) promulgated by the MOFCOM and being effective from October 8, 2016 to December 31, 2019 when Yunxiang Information was established, which was replaced by the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by MOFCOM on January 1, 2020, (i) the Interim Measures apply to the establishment and modification of foreign investment enterprises which are not subject to special administrative measures for permits stipulated by the State; (ii) with respect to the establishment of a foreign investment enterprise subject to the registration as stipulated in the Interim Measures, such foreign investment enterprise shall conduct the relevant registration procedures for the establishment as required by the Interim Measures.

Our PRC Legal Advisors are of the opinion that Yunxiang Information has completed necessary registration with the relevant authorities as required by the Interim Measures and the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》).

SAFE Registration in the PRC

Pursuant to the Administrative Measures on Overseas Investments (《企業境外投資管理辦法》) (“**ODI Rules**”), a domestic institution is required to undergo relevant procedures for offshore investment prior to its overseas direct investment and obtain relevant record-filing, approval, certificate or permit.

Pursuant to the SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interest to an Overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) 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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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 SAFE Circular 13, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, each of our Ultimate Controlling Shareholders, Mr. Dai, and Mr. Ru, who is required to complete the registration under SAFE Circular 37 and SAFE Circular 13, has duly completed the relevant registrations on August 8, 2019 in accordance with the SAFE Circular 37 and SAFE Circular 13. Each of our Onshore Investors have completed the registration/record-filing with Shanghai Development and Reform Commission, Shanghai Municipal Commission of Commerce and the local bank on October 4, 2019, February 19, 2020 and March 4, 2020, respectively, pursuant to the ODI Rules in relation to its offshore investments as domestic institutions.

OVERVIEW

We are a leading short video marketing solutions provider and an online content services provider focusing on pan-entertainment in China. According to iResearch, the short video marketing market is an important component and driver of the overall online marketing market, with a market share of 15.9% in terms of revenue in 2019. We contributed to approximately 0.5% of the total revenue of the overall online marketing market in China in 2019. According to iResearch, we were the third largest online marketing solutions provider in China in terms of gross billing generated from short video advertisements in 2019, with a market share of 3.4%. In particular, according to iResearch, in terms of user traffic consumption of the advertisements of e-commerce merchants that sell products or services directly through short video platforms, we were the largest short video marketing solutions provider in the PRC in 2019, with user traffic consumption of more than RMB1.0 billion. We also operate a pan-entertainment-oriented content platform through our *Huabian* website and its mobile terminal, presenting attention catching pan-entertainment articles and photos to internet users. In addition, we produce quality and appealing content for audiences and advertisers, such as short videos, movie and television stars interview programs and entertainment news programs. We act as a middleman connecting advertising customers and media partners. During the Track Record Period, Supplier A was our single largest supplier. We are one of the 100 to 250 online marketing solutions providers that had contractual relationship with Supplier A in 2019. Our gross billing generated through Supplier A's content distribution platforms accounted for approximately 37.7%, 85.2%, 87.1% and 84.8% of our total gross billing in 2017, 2018 and 2019 and the six months ended June 30, 2020. We deliver our online marketing solutions primarily through top online publishers in China, such as Douyin (抖音), Huoshan (抖音火山版), Xigua Video (西瓜视频) and Kuaishou (快手).

We generate revenue primarily from providing (i) online marketing solutions to advertisers and advertising agencies, including user traffic acquisition, ad creatives production, and ad performance optimization; and (ii) advertising spaces on our *Huabian* Platform to ad networks and advertisers. We charge our advertising customers for our online marketing solutions primarily measured by a mix of oCPM (optimized cost per mille), oCPC (optimized cost per click) and CPC, while we acquire user traffic from our media partners to place our advertisements online and pay traffic acquisition costs based primarily on the same mechanism. Media partners may grant to us rebates primarily calculated based on our gross spending. We may also grant rebates to our advertising customers from time to time calculated based on their gross spending to incentivize them to continue to use our solutions. In addition, during the Track Record Period, we charged ad networks primarily based on CPM, and charged advertisers primarily based on CPT or CPA, for the advertising spaces we provided on our *Huabian* Platform. We also began to generate revenue from providing product placement opportunities in our short video KOL programs for advertisers to market their products or services since January 2020.

We have experienced rapid growth since 2017 benefiting from the rise of short videos. During the Track Record Period, our revenue increased significantly from RMB235.4 million in 2017 to RMB2,313.0 million in 2019, representing a CAGR of 213.5%. Our profit for the year increased from RMB33.0 million in 2017 to RMB72.9 million in 2019, representing a CAGR of 48.6%. In particular, our gross billing generated from short video marketing solutions accounted for approximately 14.5%, 73.5%, 87.1% and 89.2% of our total gross billing generated from online marketing solutions business in 2017, 2018, 2019 and the six months ended June 30, 2020, respectively. Given the technological development of network infrastructure and the continually reduced mobile internet traffic costs per GB that collectively led to the speedy growth of short video audience base, we have strategically shifted our focus to online marketing solutions (in particular short video marketing) from which the revenue accounted for approximately 70.4%, 94.5%, 98.7% and 98.9%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

BUSINESS

Launched in 2013, our online marketing solutions help our advertising customers acquire high quality traffic from top online publishers, produce appealing and attention catching ad creatives to attract target consumers, and optimize campaign performance leveraging our big data analytics and AI capabilities, to improve the marketing efficiency for our advertisers.

Launched in 2012, our self-operated content platform, *Huabian* Platform, aggregates pan-entertainment articles and photos from professional media, talent agencies and self-media accounts, and presents real-time customized and popular feeds to visitors. We also have another two short video KOL programs, *Idol Answers* and *Hippie Entertainment*, featuring latest television and movie star interviews and entertainment news, to expand our pan-entertainment coverage.

Our content production capability is one of our core competencies that differentiate us from our competitors. Our in-house content production team, consisting primarily of scriptwriters, directors and post-production crew, is able to produce customized, appealing and attention catching ad creatives, with the capacity to produce approximately 4,400 pieces of short videos each month. Leveraging our strong content production capability, we have established a cross-media multi-channel full service content platform, covering content production, exchange and distribution that connects directly the advertisers with internet users, content providers and content distribution channels, to (i) produce original content, particularly short videos, for advertisers; (ii) facilitate content exchange between the advertisers and content providers; and (iii) distribute content to internet users through online publishers.

We have maintained well-established relationships with various top online publishers, including the six largest short video platforms in China, such as Douyin, Kuaishou, Xigua Video, Huoshan and Tencent Weishi (騰訊微視), as well as other leading content distribution platforms, including Xiaohongshu (小紅書) and Qutoutiao (趣頭條). In particular, we have a stable and cooperative partnership with Supplier A's major content distribution platforms, including Douyin, Xigua Video, Huoshan and Toutiao. We are Supplier A's early collaborator and began to acquire user traffic from its content distribution platforms in 2016. We are also one of the early online marketing solutions providers to offer short video marketing solutions through Douyin after it was launched in September 2016.

We serve a fast-growing and diversified advertiser base operating in a wide array of industry verticals, including online gaming, financial services, e-commerce, internet services, advertising and culture & media. As of June 30, 2020, we had accumulated approximately 1,587 advertisers that have contractual relationship with us. Such direct advertisers for both online marketing solutions business and pan-entertainment content services business increased from 558 in 2017 to 669 in 2019, representing a CAGR of 9.5%, while the average spending per direct advertiser increased from RMB0.5 million in 2017 to RMB3.4 million in 2019, representing a CAGR of 160.8%.

As a technology-driven company, we have developed our proprietary DMP to support internal advertising campaign management system as well as content management and distribution system through big data analytics and AI technologies. Our proprietary DMP collects and stores a wide variety of raw data on a real-time basis from online publishers, including ad performance data and behavioral data, to generate accurate user profiling modules and continuously monitor and analyze such data to optimize ad campaign performance to acquire, convert and retain consumers in a more effective and efficient way.

OUR COMPETITIVE STRENGTHS**A leading online marketing solutions provider in the short video marketing market in China**

According to iResearch, we were the third largest online marketing solutions provider in China in terms of gross billing generated from short video advertisements¹ in 2019, with a market share of 3.4%. We were also the third largest online marketing solutions provider in China in terms of gross billing generated from performance-based advertisements placed on short video platforms² in 2019, with a market share of 5.9%, according to the same source. With the rapid development of the mobile internet era and technological advancement of network infrastructure, short video marketing has become one of the most prevalent forms of advertising. While engaging target consumers with entertaining visuals, short video advertisements are easier to capture the attention of target consumers and are able to deliver bite-sized pieces of information that are more digestible, enabling them to retain more information from the advertisements and enhancing the marketing efficiency for the advertisers. The short video marketing market in China has experienced tremendous growth since September 2016. According to iResearch, revenue generated from short video marketing increased from RMB0.2 billion in 2015 to RMB102.5 billion in 2019, representing a CAGR of 375.8%, and is expected to further grow from RMB172.4 billion in 2020 to RMB582.5 billion in 2024, representing a CAGR of 35.6%. In addition, revenue generated from advertisements placed on short video platforms increased from RMB0.8 billion in 2016 to RMB80.0 billion in 2019, representing a CAGR of 364.2%, and is expected to further grow from RMB133.5 billion in 2020 to RMB395.0 billion in 2024, representing a CAGR of 31.2%.

We have been providing online marketing solutions since 2013, and in particular short video marketing solutions since 2017 immediately after the short video industry took off, providing us with a first-mover advantage in short video marketing. As of June 30, 2020, we had served more than 3,400 advertisers, directly or indirectly, in approximately 170 sub-sectors of industry verticals, and the short videos delivered by us had generated more than 410.0 billion impressions and 60.0 billion video views as of the same date. Our in-house professional marketing specialists also contribute to our market leadership and exceptional track record in providing online marketing solutions. As of the Latest Practicable Date, we had in aggregate approximately 107 certified marketing managers by Supplier A and Kuaishou.

We believe our first-mover advantage, leading market position and extensive experience in short video marketing differentiate us from our competitors and well position us to capture the significant opportunities in this fast-growing industry.

One of Supplier A's major partners for short video marketing solutions

Supplier A is a leading Chinese internet technology platform operating several AI technology-enabled content distribution platforms, with two core platforms, Douyin and Toutiao. According to iResearch, Supplier A was the fourth largest mobile internet company in terms of average DAUs in the PRC in 2019. With its massive user base and high user traffic, Supplier A has been playing a key role in the short video marketing market in China.

We have stable business relationship with, and place our advertisements through, Supplier A's major content distribution platforms. Due to our contribution to its business growth, we were awarded the Rapid Growth Prize (突飛猛進獎) as its fastest growing business partner in 2017. We also won several prizes in the Effect UP Marketing Competition (效果營銷大賽) organized by it in 2018 and 2019.

1 This ranking is based on the user traffic consumption of short video advertisements across all online publishers and other content distribution channels in China.

2 This ranking is based on the user traffic consumption of performance-based advertisements placed on short video platforms only, excluding other online publishers or other content distribution channels.

BUSINESS

We believe that we are one of Supplier A's major partners for short video marketing solutions with stable and cooperative business relationships. We commenced to acquire user traffic from Supplier A's content distribution platforms in 2016 and were its early collaborator. We also seized the opportunity to benefit from the introduction of its short video platform, through which we were one of the early online marketing solutions providers to offer short video marketing solutions after it was launched in September 2016. Leveraging our leading position in the short video marketing market in China, we believe we will continue to benefit from the huge growth of Supplier A.

A cross-media multi-channel full service content platform covering content production, exchange and distribution

We operate a cross-media multi-channel full service content platform covering content production, exchange and distribution that connects directly the advertisers with internet users, content providers and content distribution channels. Specifically, our full service platform is able to (i) produce original content, particularly short videos, for advertisers; (ii) facilitate content exchange between the advertisers and content providers; and (iii) distribute content to internet users mainly through online publishers.

We primarily deliver short video or text and image creatives in the format of native in-feed advertisements, which are customized and integrated seamlessly in the feeds of an app or website or consistent with the components of the app or web interface, thus rendering more pleasant audience experience. We have a dedicated and experienced in-house content production team with the ability to produce appealing and attention catching ad creatives that are tailored to the specific needs of the advertisers. As of June 30, 2020, our in-house content production team comprised 86 employees, led by one of the only four marketing professionals certified by Supplier A with the highest level in 2019, with more than five years of relevant industry experience. We are able to produce approximately 4,400 pieces of short video ad creatives each month.

We believe our content production capability is one of our core competencies that make us stand out in the industry in which we operate. For example, one piece of our short videos produced for a leading Chinese mobile content aggregator received the Public Service Award (公益服務專項獎) from Top Digital Agency, an innovative publisher in digital economy, in 2019 to award its propaganda of public services. This advertisement was also selected as an outstanding social marketing demonstration case by an institution under the Ministry of Civil Affairs of the PRC. In addition to our original ad creatives produced for advertisers as part of our online marketing solutions, we produce original short video content for internet users to expand our pan-entertainment coverage. For example, we have built up our own KOL brand by producing a short video program series featuring interviews with movie and television stars, *Idol Answers*, and releasing the videos on approximately 40 online publishers, such as iQIYI. The *Idol Answers* has invited and interviewed more than 200 popular celebrities in various fields including movies, talk shows and music, such as Li Yifeng (李易峰), Guo Degang (郭德綱) and Deng Ziqi (鄧紫棋). As of the Latest Practicable Date, *Idol Answers* had accumulated more than 1 million followers on its Weibo (微博) public account. As part of our pan-entertainment coverage, we also have another short video KOL brand, *Hippie Entertainment*, featuring the latest and breaking celebrity entertainment news, which is distributed across approximately 27 online publishers, such as Tencent Video (騰訊視頻) and Mango TV (芒果TV). According to CAASDATA (卡思數據), a leading PRC video data collection and analysis platform, both of *Idol Answers* and *Hippie Entertainment* ranked top 50 among all PGCs in the PRC. These two KOL programs had accumulated impressions of more than 600 million as of the Latest Practicable Date. We produce short video KOL programs in order to (i) upgrade our pan entertainment business by expanding our content coverage from text and image content only to include short video content, leveraging our short video production capability; and (ii) incubate our own KOL brands and intend to monetize the traffic generated from these KOL programs in the future. As of the Latest Practicable Date, we had produced more than 50,000 short videos, including short video ad creatives and other short video content, which were delivered through more than 40 content distribution platforms.

Furthermore, to capture advertisers' rapidly growing demand for short videos, we launched a free-for-now content exchange platform in the fourth quarter of 2019 that connects directly the advertisers with qualified content providers, such as PUGC, KOL and MCN, to facilitate content exchange transactions. This platform allows, on one hand, the advertisers to propose their specific content requirements and marketing goals, and on the other hand, the content providers to address the advertisers' particular needs with their expertise. As of June 30, 2020, approximately 188 content providers, 3,425 advertisers and 1,186 participants had engaged in our exchange platform and approximately 9,835 short videos had been delivered through this platform.

We also operate a content distribution platform through our *Huabian* Platform. *Huabian* aggregates pan-entertainment articles and photos from professional media, talent agencies and self-media accounts, and distribute such content through more than 30 content distribution partners, such as Weibo, Toutiao and Qutoutiao. According to iResearch, we were China's largest pan entertainment-oriented information website in terms of average DAUs in 2019. For the six months ended June 30, 2020, our average daily pieces of content uploaded was approximately 2,200 and our average daily pieces of content passed screening and presented to visitors was approximately 500. In addition, our *Huabian* Platform has been recognized by leading entertainment portals, such as Sina (新浪) and Sohu (搜狐), as their recommended emerging pan entertainment-oriented content provider. Due to our market leadership, we were frequently invited by film premieres and famous entertainment events as official media reporters, such as Shanghai International Film Festival, Weibo Fan Carnival (微博嘉年華) and Weibo Movie Night (微博電影之夜).

We believe our content production and distribution capabilities not only have enabled us to cooperate with top online publishers that provide high volume traffic of public media channel and serve advertisers with tailor-made solutions and execute effective marketing campaigns, but also contribute to our large visitor base which in turn brings us massive traffic of private media channel, allowing us to enhance our brand to attract more advertisers and capture valuable monetization opportunities. We also believe that our unique content exchange platform differentiates us from our competitors and allows us to capture new trend in the online marketing market.

Robust big data analytics and AI capabilities

As a technology-driven company, we have made substantial investments in building our information technology infrastructure and a dedicated and experienced research and development team. We have developed our proprietary DMP to support our internal advertising campaign management system as well as content management and distribution system through big data analytics and AI technologies. In particular, our proprietary DMP collects and stores a wide variety of raw data on a real-time basis from online publishers, including ad performance data and behavioral data, and continuously monitor and analyze such data to optimize campaign performance.

For the six months ended June 30, 2020, our proprietary DMP collected and analyzed data from approximately 92 million unique internet devices per day. Our AI algorithms apply tags to each device to which we have access and can currently apply over 153,000 tags across approximately 961 categories. These tags allow us to generate a fairly accurate profile of the user of such device, including basic demographics such as age and gender, geographic location as well as personal interest and preference.

We believe our massive data assets enable us to achieve accurate audience profiling and help advertisers precisely target and reach the types of audiences best suited in the advertising campaigns, improving the marketing efficiency for our advertisers. For example, in August 2019, we provided short video marketing solutions to an online education app, which realized cost per new app download of approximately RMB2.5, while this advertiser's budget of cost per new app download was RMB8.0. Due to the outstanding performance of our advertising campaigns, many of our advertisers increased their marketing budgets allocated to us, resulting in a strong flywheel effect. As advertisers more effectively

acquire consumers through our solutions, they increase their marketing spending on us, enabling us to deliver advertisements to more internet devices through a larger base of publishers. This will contribute more traffic and data to us to train our AI algorithms, which in turn further enhances the effectiveness and efficiency of our solutions and supports the sustainability of our growth.

Diversified online publisher base and fast-growing advertiser base

We offer our advertising customers high-quality and high-traffic online publishers where they can be most likely exposed to target audiences and achieve their marketing goals more efficiently. We maintain a diversified online publisher base across a wide range of industries such as entertainment, social networking, e-commerce, online media and mobile tools. As of the Latest Practicable Date, we had cooperation with all of the six largest short video platforms in terms of average DAUs in China in 2019, according to iResearch, and a number of other leading content distribution platforms.

We serve a fast-growing and diversified advertiser base operating in a wide array of industry verticals, including online gaming, financial services, e-commerce, internet services, advertising and culture & media. A majority of the advertisers we serve are our direct customers, which further enhances our ability to maintain close relationships with these advertisers. Such direct advertisers increased from 558 in 2017 to 669 in 2019, representing a CAGR of 9.5%; while our average revenue per direct advertiser increased from RMB0.4 million in 2017 to RMB3.3 million in 2019, representing a CAGR of 187.2%. As of the Latest Practicable Date, we had served approximately 1,700 accumulated key account advertisers, including Mogu (蘑菇街), GOME (国美), Cardniu (卡牛) and Yidui (伊對), most of which are well-known and leading companies in their respective industry. Due to our extensive coverage in various industry verticals, we also accumulated in-depth understanding and knowledge of and achieved outstanding track record in certain industry verticals. In particular, according to iResearch, in terms of user traffic consumption of the advertisements of e-commerce merchants that sell products or services directly through short video platforms, we were the largest short video marketing solutions provider in the PRC in 2019, with user traffic consumption of more than RMB1.0 billion. We have maintained longstanding and stable business relationship with these advertisers as our direct customers.

We believe our diversified online publisher base and fast-growing advertiser base have enabled us to accumulate extensive experience in a wide range of industry verticals, better understand and anticipate market trends, customize our solutions and foster closer customer relationships. We expect our publisher and advertiser base to continue to support and provide visibility on our continuous growth.

Visionary and experienced senior management team

Our visionary and experienced senior management team has been essential in driving the growth of our business. In particular, we are led by our chief executive officer, Mr. Wang, together with our co-founder and chairman of the Board, Mr. Xu, who have an average of approximately ten years of experience in the online marketing industry. In particular, Mr. Wang was certified as a PMP (Project Management Professional) by Project Management Institution in the United States, a Microsoft Certified Database Administrator and a Microsoft Certified Systems Engineer by Microsoft Incorporation. He also obtained Google Analytics Individual Qualification accredited by Google Testing Center. Mr. Wang is currently enrolled in EMBA degree at Tsinghua University. Other members of our senior management team and key employees have prior experience at leading internet and technology companies, such as Microsoft, Toutiao, Baidu and Alibaba. Our co-founders and some members of our senior management team have served us since our inception.

We believe that our senior management team has extensive industry expertise, innovative vision and strong execution capabilities, and is capable of building on our competitive strengths and successfully implementing our strategies and future plans. We believe that our senior management team will continue to lead our business and drive our future growth.

OUR STRATEGIES

To further solidify our leading market position, we plan to implement the following strategies:

Strengthen and deepen our collaboration with top online publishers and diversify our media partner base

To further grow our business and reinforce our leading market position, we intend to further strengthen and deepen our collaboration with top online publishers. In particular, we plan to explore new forms of cooperation with top online publishers, such as short video-empowered online sales through these publishers. We will also continue to devote substantial resources to top online publishers and plan to expand our dedicated teams to serve and coordinate with them to ensure smooth and efficient operations.

In addition, we will seek to diversify our media partner base and establish business relationships with other industry leading content distribution platforms which we believe will add value to our advertising customers. We are also exploring opportunities to cooperate with emerging industry players in the online marketing industry to broaden audience reach for advertisers. For example, in January 2020, we entered into an annual cooperation agreement with Tencent Weishi (騰訊微視), one of the five largest online publishers in 2019, to place advertisements for our advertisers.

Expand our advertising customer base and explore opportunities in specific industry verticals

We seek to continue to expand our advertising customer base to further scale and grow our business. We plan to continue to deepen our penetration in our existing major industry verticals through developing and offering more tailored solutions with industry-specific features. Meanwhile, we will continue to keep a close eye on the opportunities arising from changes in market trends, such as the approaching 5G commercialization, and strive to diversify our customer base and expand into new industry verticals to capture these growth opportunities. In particular, we plan to explore other industry verticals that are experiencing expeditious growth, such as online education.

We also plan to continue to seize the opportunities brought by the Belt and Road Initiative to expand our overseas presence. In particular, during the Track Record Period, we placed advertisements overseas through a global leading social media platform and a global leading search engine. We aim to deepen our cooperation with such online publishers with strong global network to expand our overseas customer base. We also plan to cooperate with a leading international short video platform to place advertisements overseas and expand our global footprints, leveraging our extensive industry experiences and knowledge.

In addition to expanding our customer base, we also seek to continue to nurture our existing customers and enhance customer stickiness through proactively exploring their evolving needs, which we believe will enable us to facilitate effective cross-selling and drive repeat business. For example, one of our advertisers which was mainly engaged in travel agency services has recently stepped into the financial industry. Leveraging our stable business relationship with such advertiser, we have successfully secured orders for our online marketing solutions from such advertiser for its new industry vertical.

Given our well-established relationship with advertisers from various industries and our extensive knowledge of and expertise in certain industry verticals, we also seek to collaborate with our advertisers to explore more monetization opportunities. For example, we are in the process of entering into a game license and distribution agreement with an Independent Third Party game developer to engage in the distribution of online games, pursuant to which this game developer has authorized us to promote and distribute its online games through qualified online publisher, while we are entitled to a portion of the distribution revenue and bear the costs incurred for the distribution and promotion of such online games. As of the Latest Practicable Date, the first online game developed under this arrangement was going

BUSINESS

through in-game beta testing. This online game is expected to be distributed and put into official operation during the Spring Festival in 2021. In addition, we have also invested in an associate with a listed gaming company in the PRC to provide KOL incubation and third party operation services for online gaming companies and charge them operational service fees. This KOL incubator has been in official operation and generated small amounts of revenue since October 2020.

Continue to unleash the monetization potential of our content production, exchange and distribution platform that offers full cycle services

Leveraging our content production capability, we intend to explore monetization opportunities by offering full cycle services that center around the evolving demand of advertisers to add value to our ecosystem and facilitate the massive production of short videos. Building upon our large advertiser and online publisher base, we plan to offer cloud-based solutions through our content production, exchange and distribution platform to facilitate content transactions, from which we plan to charge annual membership service fees for providing content exchange transaction services to advertisers and content providers. As of the Latest Practicable Date, we were in the process of developing revenue-generating functions and products to empower the production, exchange and distribution platform. We expect to charge the advertisers and content providers for these advanced functions and generate revenue from this platform in the first quarter of 2021.

In addition, as we continue to broaden our content portfolio through producing original short videos, we plan to offer product placement opportunities to advertisers to promote their brands or products in such videos.

Enhance our big data analytics and AI capabilities

We place a high value on our data assets and intend to continue devoting substantial resources to that end. We plan to increase the dimensions and varieties of the data we collect and analyze by (i) collaborating with online publishers and our content distribution partners through further integration of their platforms with our proprietary DMP; and (ii) further growing the visitor base of our content through introducing content provider incentive system to attract quality content providers and continuing to enhance the breadth and diversity of our content. We also plan to develop strategic relationships with a variety of content distribution platforms to exploit new data sources.

We will continue to invest in our big data analytics and AI capabilities. For example, we are in the process of upgrading our internal content management and distribution system to enable automatic content curation and recommendation. Please see “— Research and Development” for more details. In addition, we plan to continue to enhance our AI algorithms to further improve the quality and frequency of model training and the precision of profile tags. We believe the continually evolving AI technologies will improve short video production capabilities, enabling us to realize massive production of short videos, which in turn scales our business and increases our revenue. As of the Latest Practicable Date, we had cooperated with a leading AI SaaS company to train AI tools to create self-generated short videos from text and image through machine learning.

We also plan to continue to recruit additional research and development personnel. Please see “Future Plans and Use of Proceeds” for details.

Selectively pursue strategic collaboration, investment and acquisition opportunities

We intend to pursue investment opportunities or acquire businesses that complement or enhance our existing businesses and are strategically beneficial to our long-term goals. We aim to target companies that have competitive strengths in big data analytics and AI capabilities, content development and production as well as customer and other strategic resources.

BUSINESS

In addition, we plan to pursue business collaborations to further diversify our revenue streams. For example, we have entered into a co-production agreement with a leading media group listed in the PRC to produce a web film to expand our pan-entertainment coverage. The media group is responsible for obtaining the relevant governmental approvals, selection of directors and actors, and film production; while we and this media group jointly take charge of the distribution and promotion of such web film. In addition, we are entitled to part of the copyright of and the income derived from such web film, including licensing revenue and advertising and IP derivatives revenue. We have commenced film shooting in April 2020 and expect to complete the shooting in the second half of 2020. The total investment of this web film is estimated to be RMB12 million, and we have contributed our portion of the investment of RMB5 million. The investment in this web film is an one-off investment, as one of our measures to implement our strategy of upgrading our pan-entertainment content services. We will evaluate our investment in this web film to see if it adds value and synergies to our service offerings, operations and brand buildings to decide whether to make future investments in movies.

In selecting strategic partners or investment or acquisition targets, we generally consider the following factors: potential business growth, track record, industry reputation, advanced technologies, volume of user traffic, content production capability of the target companies as well as the expected synergies to be achieved by us. Specifically, we plan to invest in or acquire (i) upstream industry participants that can improve and diversify our ad creative inventory, such as MCN, KOL or event marketing companies; and; (ii) downstream industry participants that can improve our quality and operational efficiency which in turn can strengthen our relationships with advertisers and online publishers, such as media platforms with high volume traffic and big data companies with advanced AI capabilities. As of the Latest Practicable Date, we had not engaged in any negotiation or entered into any letter of intent or agreement for potential acquisitions, nor identified any definite acquisition target. Please see “Future Plans and Use of Proceeds” for more details.

OUR BUSINESS MODEL

We operate under two principal business segments, namely (i) our online marketing solutions business and (ii) our pan-entertainment content services business.

Empowered by our proprietary DMP, we provide one-stop online marketing solutions, in particular short video marketing solutions, to advertisers directly or through advertising agencies by planning, launching and managing advertising campaigns to help advertisers acquire, convert and retain consumers and achieve their marketing goals in an effective and efficient way. We primarily deliver short video or text and image creatives in the format of native in-feed advertisements through top online publishers and we have an in-house content production team with the ability to produce customized, appealing and attention catching ad creatives. With the increasing prevalence of short video marketing, we believe our content production capability is one of our core competencies that make us stand out in the industry in which we operate. We charge our advertising customers for our online marketing solutions primarily measured by a mix of oCPM, oCPC and CPC, while we acquire user traffic from our media partners to place our advertisements online and pay traffic acquisition costs based primarily on the same mechanism.

Under our pan-entertainment content services business, we operate a pan entertainment-oriented content platform through our *Huabian* website (www.huabian.com) and its mobile terminal. *Huabian* Platform aggregates pan-entertainment articles and photos from professional media, talent agencies and self-media accounts, and presents real-time customized feeds to visitors. We generate revenue primarily from providing advertising spaces on our *Huabian* Platform to third-party ad networks, such as Sogou, and advertisers. We also collaborate with our content distribution partners to market our content and generate traffic to our *Huabian* Platform, and pay them traffic acquisition costs primarily based on CPC. In addition, we have another two short video KOL programs, *Idol Answers* and *Hippie Entertainment*, featuring latest television and movie star interviews and entertainment news, to expand our pan-entertainment coverage.

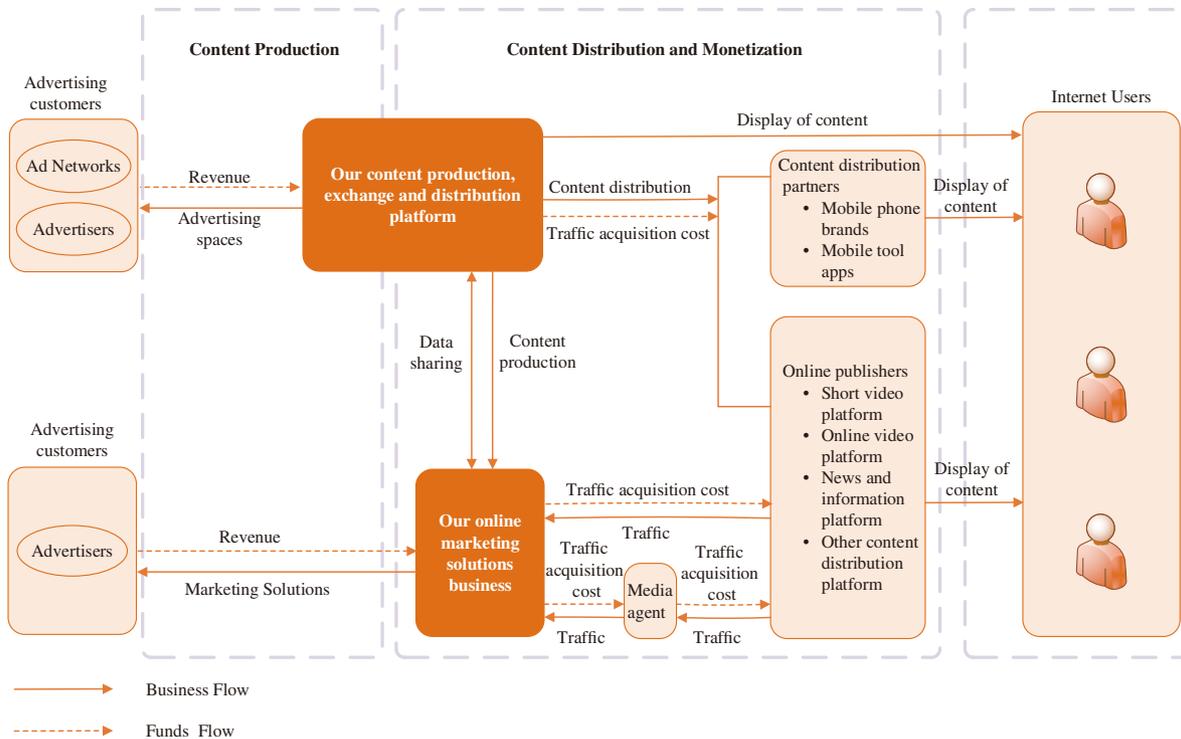
BUSINESS

The following table sets forth our revenue by business segments for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Online marketing solutions business . . .	165,839	70.4	1,121,427	94.5	2,282,304	98.7	1,267,309	98.5	788,329	98.9
Pan-entertainment content services business	69,586	29.6	64,745	5.5	30,732	1.3	19,213	1.5	8,636	1.1
Total	235,425	100.0	1,186,172	100.0	2,313,036	100.0	1,286,522	100.0	796,965	100.0

OUR ECOSYSTEM AND ITS PARTICIPANTS

We have effectively established an ecosystem centered on our online marketing solutions and content production and distribution capabilities, connecting participants in each key stage of the industry value chain, including advertising customers, content providers, content distribution channels/online publishers, and internet users, illustrated in the following diagram:



The followings are key participants benefiting from our ecosystem:

Advertisers

Advertisers are those who need to acquire consumers through advertising. The advertisers we serve operate in a wide array of industry verticals, which primarily include online gaming, financial services, e-commerce, internet services, advertising and culture & media. Our one-stop solutions help advertisers

acquire, convert and retain consumers through effective and cost-efficient advertising campaigns, while we charge them online marketing solutions service fees. We also provide advertising spaces on our *Huabian* Platform to advertisers primarily in exchange for a CPT- or CPA-based service fee.

Online publishers

Online publishers are those who need to monetize their user traffic through offering internet ad inventories on their platforms, primarily including short video platforms, online video platforms as well as news and information platforms. One characteristic of the online marketing industry is that ad inventories are produced each access by an internet user, and such ad inventories need to be offered to advertisers instantaneously in order to present advertisements to users, or otherwise they will be forfeited. Unlike online publishers, we do not hold any unused ad inventories as an online marketing solutions provider. The diversity of advertisers we have served deepens our understanding of, and enables us to address, their evolving needs. As such, we believe that our services are crucial to helping online publishers achieve effective and efficient monetization results.

Content distribution partners

We distribute quality and attractive content through online publishers and other content distribution partners, including leading mobile phone brands and mobile tool apps. We believe our quality content helps them attract users and enhance user engagement, which in turn, generate additional monetization opportunities.

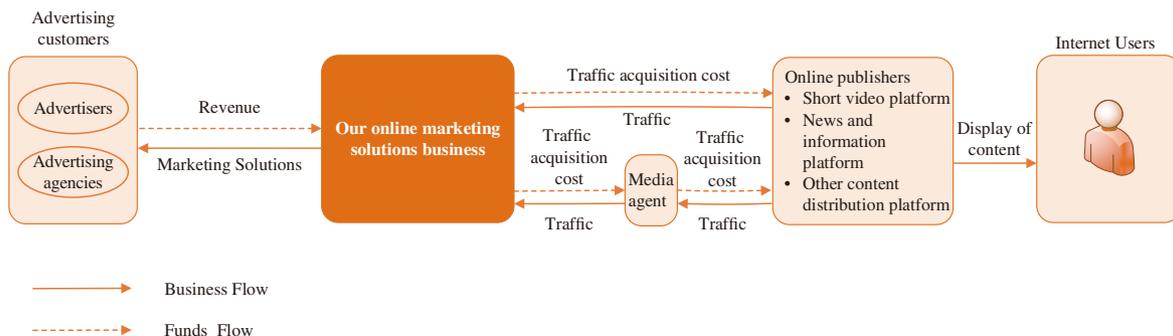
Internet users

We provide internet users with quality and attractive content through our *Huabian* Platform and our content distribution partners. Leveraging our big data analytics and AI technologies, we have the capacity to analyze the most viewed content, so that we can continue to create and produce the content that is most likely to be attractive to internet users and generate the most value.

OUR ONLINE MARKETING SOLUTIONS BUSINESS

We provide one-stop online marketing solutions that connect our advertising customers with our media partners. Empowered by our proprietary DMP, we provide online marketing solutions to advertisers directly or through advertising agencies by planning, launching and managing advertising campaigns to help advertisers acquire, convert and retain consumers and achieve their marketing goals in an effective and efficient way. On the other hand, our online marketing solutions enable our media partners to achieve effective and efficient monetization of their user traffic. We charge our advertising customers for our online marketing solutions primarily measured by a mix of oCPM, oCPC and CPC, while paying our media partners based primarily on the same mechanism for traffic acquisition costs.

The following chart sets forth the business and revenue model of our online marketing solutions business:



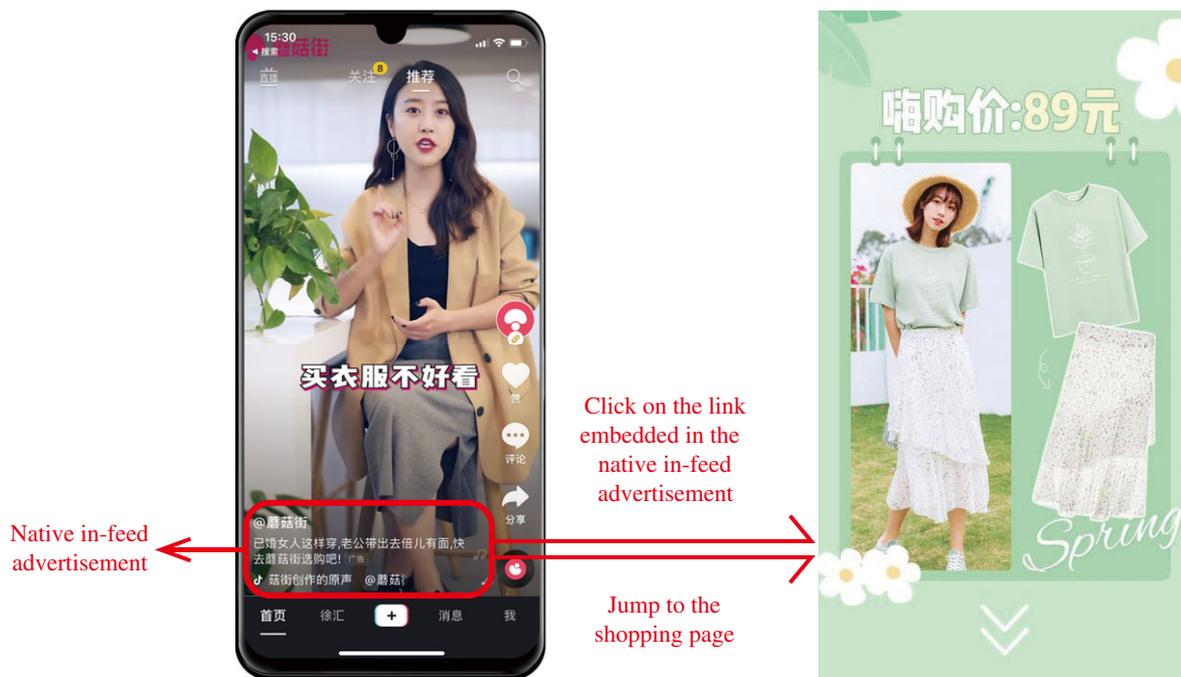
For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our online marketing solutions business was RMB165.8 million, RMB1,121.4 million, RMB2,282.3 million and RMB788.3 million, respectively, accounting for 70.4%, 94.5%, 98.7% and 98.9% of our total revenue, respectively, for the same periods.

Key Features of Our Online Marketing Solutions

Ad Format and Ad Creatives

Ad formats are the presentation frameworks of the advertisements, while ad creatives are the specific renderings of advertisement content. We primarily deliver original short video or text and image creatives in the format of native in-feed advertisements. Native in-feed advertisements are customized and integrated seamlessly in the feeds of an app or website, or consistent with the components of the app or web interface, rather than as independent components of the app or web interface. In short, native in-feed advertisements do not appear as advertisements and are non-disruptive, thus rendering more pleasant audience experience.

The following screenshots illustrate the native in-feed advertisements produced and placed by us:





Native in-feed advertisement

In addition to native in-feed advertisements, we also deliver text and image creatives in other formats, such as banners and text links. Banner advertisements are in the form of a rectangular image that stretches across the top, bottom or sides of the screen. Text link advertisements turn individual words or phrases in the text into links and when audiences click on the linked words or phrases, they are redirected to another web page designated by the advertisers.

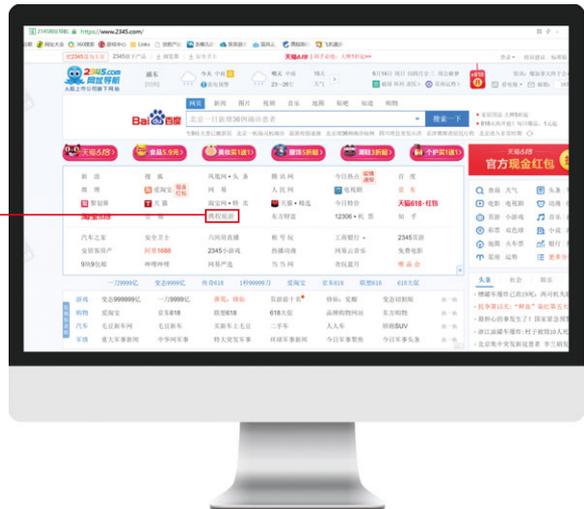
The following screenshots illustrate the non-native advertisements produced and placed by us:

Banner advertisement



Banner advertisement

Text link advertisement



Text link advertisement

BUSINESS

We have an in-house content production team enabling us to produce customized, appealing and attention catching video, text and photo content, which improves the marketing efficiency for our advertisers. We believe our content production capability is one of our core competencies that make us stand out in the industry in which we operate. For details, see “— Our Content Production Capability.”

Our Proprietary DMP

We have developed a smart and one-stop DMP integrated with data analytics and AI capabilities, which enables us to identify target audiences and continuously optimize campaign performance to acquire, convert and retain consumers. Please see “— Our Technology — Our Big Data Analytics and AI Capabilities” for more details.

Programmatic/Non-programmatic Advertising

When we acquire user traffic from certain online publishers directly, we open accounts for advertisers on the online publishers’ platforms and operate such accounts on behalf of advertisers. Our internal advertising campaign management system connects with the advertising platforms of online publishers to purchase ad inventories programmatically through API. Through API connection, our internal system transmits ad creatives and campaign parameters to online publishers, which then deliver advertisements to target audiences based on such campaign parameters. Our internal advertising campaign management system also collects a wide variety of raw data of the text and image or short video advertisements for our proprietary DMP from online publishers through API connection programmatically.

When we acquire user traffic from media agents, we manually operate the advertisers’ accounts on the online publishers’ advertising platforms, including setting campaign parameters, placing the orders to purchase ad inventories, delivering ad creatives and reviewing ad performance data, rather than automatically and programmatically purchase ad inventories through our internal advertising campaign management system.

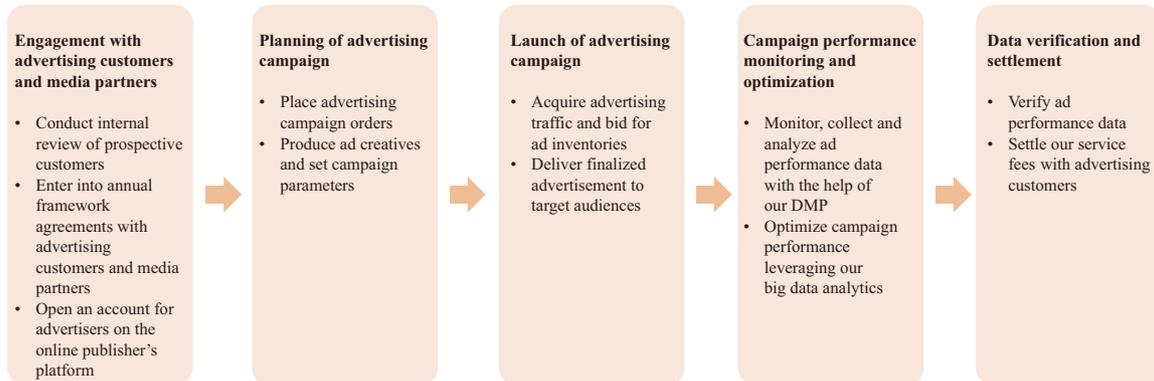
We continuously monitor and analyze ad performance data and optimize campaign performance based on our extensive campaign management expertise and with the help of our proprietary DMP. According to iResearch, all of the top five market players in the online marketing market own comprehensive and effective proprietary DMPs that can be connected to online publishers through API and collect data in the format of text and image or short video from multiple sources. The functions and effectiveness of the top five market players’ DMPs and ours are in general similar. During the Track Record Period and up to the Latest Practicable Date, we had not ceased any publication of advertisements requested by our advertising customers due to inaccurate or unsatisfactory effective results.

Premium Media Sources

We offer our advertising customers high-quality and high-traffic media channels where they can be most likely exposed to target audiences and achieve their marketing goals more efficiently. Our media partners include China’s most popular content distribution platforms, such as Douyin, Toutiao and Kuaishou. See “— Top Customers and Suppliers — Top Suppliers — Supplier Concentration on Supplier A.”

Business Process of Our Online Marketing Solutions

The following diagram illustrates the general flow of our online marketing solutions:



- **Engagement with advertising customers and media partners:** We generally enter into annual framework agreements with our advertising customers and media partners and sign an advertising campaign order with them under the annual framework agreements for each campaign. Our legal and compliance department conducts internal review of our prospective customers on their business qualifications, industry reputation, credit records and financial position to avoid our operational risks. We will only enter into an agreement with a prospective customer who can pass our review. In the meantime, we assist such customer with the submission of documentation to the targeted online publisher for its approval to open an account on its advertising platform. In the case where we need to acquire traffic indirectly through a media agent, we liaise with the relevant agent for the account registration.
- **Planning of advertising campaign:** After signing an advertising campaign order with the advertising customer, we identify the target audiences and time and duration of the campaign and produce ad creatives based on the customer's specific requirements, advertising budget and requested KPIs.
- **Launch of advertising campaign:** We proceed with traffic acquisition and bid for ad inventories through API connection with, or manually on, the targeted online publisher's platform. Upon successful bidding, the finalized advertisement will be delivered to the target audiences based on campaign parameters specified by us.
- **Campaign performance monitoring and optimization:** Once the advertisement is displayed online, we receive a wide variety of raw data on a real-time basis from the online publisher through API connection or review ad performance data by operating the advertiser's account on the online publisher's platform. We continuously monitor and analyze ad performance data and optimize campaign performance based on our extensive campaign management expertise and with the help of our proprietary DMP. Please see “— Our Technology — Our Big Data Analytics and AI Capabilities” for more details about our proprietary DMP.
- **Settlement:** Our media partners typically issue invoice of traffic acquisition costs to us on a monthly basis based on ad performance data. Payment of invoice is generally required to be made in one month. We subsequently issue invoice to our advertising customers on a monthly basis. Payment of invoice is generally required to be made in two months.

BUSINESS

To a lesser extent, we provide intermediary services to certain advertising agencies where we act as an agent, instead of a principal, and purchase ad inventories on their behalf through their respective advertisers' accounts on the online publishers' advertising platforms. Under such circumstance, we do not provide other value-added services such as production of ad creatives and management of campaign performance. Please see "— Pricing Models."

Pricing Models

We charge advertisers or advertising agencies who represent their respective advertisers for our online marketing solutions primarily based on a mix of oCPM, oCPC and CPC. The oCPM mechanism charges our advertisers for impressions while helps the advertisements reach the target audiences as many as possible within their budgets. The oCPM mechanism automatically and in a real-time adjusts the ad performance parameters, such as advertising placement, frequency, and reach that best serves our advertiser's marketing goals, to achieve the desired advertising campaign outcomes, including app installs, link clicks and purchases per landing page. Under CPC mechanism, our customers are charged when and if an audience clicks the advertisement we placed. The oCPC mechanism charges our advertisers for click-throughs while helps them maximize the conversion rates of their advertisements, by identifying and presenting the advertisements to the target audiences that are most likely to take our desired action. Specifically, if the oCPC mechanism predicts that a particular ad inventory will likely generate more users who will further interact with the advertisers' designated pages after clicking on our advertisements, this mechanism would make upward adjustments to the bidding price, and vice versa, to improve the conversion rate and marketing efficiency for our advertisers. In essence, the major difference between oCPM/oCPC and CPM/CPC lies in whether the pricing models are optimized to achieve better campaign performance and marketing effectiveness within a particular budget pre-determined by advertising customers. The oCPM/oCPC pricing models help advertising customers to achieve best reach results and acquire as many as possible target consumers that are most likely to do the action that advertising customers desire, while CPM/CPC pricing models just display advertising customers' advertisements without desired results. We also charge our advertising customers based on various other pricing models, including (i) CPT, namely, Cost-Per-Time, under which we charge our customers for placing an advertisement for a specific period of time contractually agreed by our customers and us, usually one month; and (ii) CPM, namely, Cost-Per-Mille, under which our customers are charged based on one thousand impressions of the advertisement. Most of our advertising customers set KPI metrics such as cost per new account registration/activation for an online gaming company and cost per order for an e-commerce company, which do not affect their payment to us and are used by us to assess and optimize campaign performance.

We recognize revenue from our online marketing solutions business on a gross or net basis based on our role under each particular contract with customers. For contracts where we act as a principal, we recognize revenue on a gross basis, while for contracts where we act as an agent, we recognize revenue on a net basis. If we are the primary obligor in a transaction, or has control in determining prices or selecting online publishers, we are deemed as a principal and record revenue on a gross basis. Otherwise, we are deemed as an agent and record the net amount earned as commissions from the service we provide. Specifically, for our all-in-one service, including traffic acquisition from online publishers, content production, raw data analysis and advertising campaign optimization, we recognize revenue on a gross basis; while for our advertisement distribution service, we provide traffic acquisition service only and recognize revenue on a net basis. See "Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition" for details.

From time to time, we grant rebates to certain major advertising customers in the form of traffic volume to incentivize and encourage them to use our solutions. Such rebates are generally calculated based on their gross spending of our solutions and are recorded as deduction of revenue. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate amount

BUSINESS

of rebates we granted to our advertising customers was RMB12.7 million, RMB90.9 million, RMB186.0 million and RMB71.2 million, respectively. Please see “Financial Information — Description of Key Statements of Profit or Loss Items — Revenue — Revenue from Our Online Marketing Solutions Business” for more details.

Generally, we charge advertising customers based on the same pricing model as media partners charge us. We pay our media partners for traffic acquisition primarily based on a mix of oCPM, oCPC and CPC. Media partners may grant to us rebates (i) in the form of prepayments for future traffic acquisition; (ii) to net off the trade payables we owed to them; or (iii) in cash, mainly calculated based on our gross spending of traffic acquisition costs. We record such rebates as reduction of cost of sales under gross basis, or revenue under net basis. As advised by our PRC Legal Advisors, such rebates offered by our media partners are legal and do not violate any applicable PRC laws and regulations in all material aspects. According to iResearch, rebates granted by online publishers are in line with the industry practice.

For further details on our revenue recognition policy and the rebates that we grant to advertising customers and online publishers grant to us, see “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition.”

Key Operating Data

The following table sets forth selected performance indicators of our short video marketing solutions for the periods indicated below:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
Impressions (millions) ⁽¹⁾⁽³⁾	7,522.9	79,880.2	179,743.3	73,624.4	80,750.1
Click-throughs (millions) ⁽²⁾⁽³⁾	145.1	1,312.6	4,493.6	1,627.1	1,643.0
Click-through Rate (%) ⁽⁴⁾	1.9	1.6	2.5	2.2	2.0
Likes (short videos) (thousands) ⁽⁵⁾	5,964.6	70,720.6	362,362.5	119,050.7	235,305.8

Notes:

- (1) Impressions are the total number of page views of our short video advertisements for the periods indicated. CPM and oCPM are pricing models on the basis of each one thousand impressions of the advertisement.
- (2) Click-throughs are the total number of clicks on the short video advertisements placed by us for the periods indicated. CPC and oCPC are pricing models on the basis of each click-through of the advertisement.
- (3) We charge advertising customers for our online marketing solutions primarily based on oCPM, oCPC or CPC. Our revenue derived from online marketing solutions business is positively correlated to the total number of impressions and click-throughs.
- (4) Click-through rate is calculated as the total number of click-throughs divided by the total number of impressions.
- (5) Likes are given by video viewers when they enjoy our short video creatives. Likes indicate the popularity of our short video creatives, including short video advertisements.

Our impressions and click-throughs increased significantly during the Track Record Period, reflecting the rapid growth of our short video marketing solutions business. Our click-through rate in 2018 decreased a bit primarily as the increase of our impressions outpaced that of our click-throughs, which in turn was caused by the significant volume of traffic we acquired in 2018 to expand our online marketing solution business. Our click-through rate increased by 56.3% from 1.6% in 2018 to 2.5% in 2019, reflecting our efforts and success in expanding our online marketing solutions business. Our click-through rate remained relatively stable at 2.2% in the six months ended June 30, 2019 as compared to 2.0% in the six months ended June 30, 2020.

BUSINESS

Our Advertising Customers

Our direct advertising customers include both advertisers and advertising agencies. The table below sets forth the number of customers of our online marketing solutions business by type for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
Advertisers	457	433	644	327	395
Advertising agencies	43	56	51	35	45
Total	<u>500</u>	<u>489</u>	<u>695</u>	<u>362</u>	<u>440</u>

The table below sets forth a breakdown of our gross billing from our online marketing solutions business by type of advertising customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Advertisers	213,904	67.0	1,204,781	74.8	2,260,781	67.3	1,278,376	76.6	728,972	46.4
Advertising agencies	105,189	33.0	405,792	25.2	1,097,433	32.7	391,447	23.4	840,434	53.6
Total	<u>319,093</u>	<u>100.0</u>	<u>1,610,573</u>	<u>100.0</u>	<u>3,358,214</u>	<u>100.0</u>	<u>1,669,823</u>	<u>100.0</u>	<u>1,569,406</u>	<u>100.0</u>

The table below sets forth a breakdown of revenue generated from our online marketing solutions business by type of advertising customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Advertisers	162,798	98.2	1,095,473	97.7	2,212,764	97.0	1,244,427	98.2	728,551	92.4
Advertising agencies	3,041	1.8	25,954	2.3	69,540	3.0	22,882	1.8	59,778	7.6
Total	<u>165,839</u>	<u>100.0</u>	<u>1,121,427</u>	<u>100.0</u>	<u>2,282,304</u>	<u>100.0</u>	<u>1,267,309</u>	<u>100.0</u>	<u>788,329</u>	<u>100.0</u>

BUSINESS

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our online marketing solutions served 457, 433, 644 and 395 advertisers, respectively. The advertisers we serve operate in a wide array of industry verticals, which primarily include online gaming, financial services, e-commerce, internet services, advertising and culture & media. The table below sets forth a breakdown of revenue generated from our online marketing solutions business by industry verticals for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Online gaming	64,854	39.1	811,195	72.3	1,368,410	60.0	918,486	72.5	287,830	36.5
Financial services ⁽¹⁾	41,263	24.9	67,155	6.0	273,791	12.0	87,242	6.9	143,755	18.2
E-commerce	4,581	2.8	38,082	3.4	215,467	9.4	62,065	4.9	146,336	18.6
Internet services	6,405	3.9	119,911	10.7	171,640	7.5	87,721	6.9	60,303	7.6
Advertising	20,660	12.5	45,204	4.0	72,547	3.2	22,987	1.8	95,557	12.1
Culture & media	16,566	10.0	21,024	1.9	59,323	2.6	50,310	4.0	11,313	1.4
Others ⁽²⁾	11,510	6.8	18,856	1.7	121,126	5.3	38,498	3.0	43,235	5.6
Total	165,839	100.0	1,121,427	100.0	2,282,304	100.0	1,267,309	100.0	788,329	100.0

Notes:

- (1) Financial services primarily include online insurance, consumer financing and retail banking.
- (2) Others primarily include business services and healthcare.

During the Track Record Period, online gaming developers and/or distributors were our largest group of advertising customers. Our revenue generated from online gaming customers accounted for approximately 39.1%, 72.3%, 60.0% and 36.5% of our total revenue derived from online marketing solutions business for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The decrease from 2018 to 2019 and from the six months ended June 30, 2019 to the six months ended June 30, 2020 reflected our strategy and efforts to further explore other industry verticals, such as e-commerce. Our revenue generated from financial services companies accounted for 24.9%, 6.0%, 12.0% and 18.2% of our total revenue derived from online marketing solutions business for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The decrease from 2017 to 2018 was primarily due to the stricter regulations governing online financial companies implemented by the PRC government in 2018, which had an adverse impact on the online financial service industry in China, while the increase from 2018 to 2019 and from the six months ended June 30, 2019 to the six months ended June 30, 2020 was primarily due to our strategy to seek to serve low risk and reputational financial services companies, such as GOME Credit Card, which were less affected by the stricter regulations. During the Track Record Period, our revenue generated from e-commerce companies, as a percentage of our total revenue generated from online marketing solutions business, increased from 2.8% in 2017 to 3.4% in 2018 and further to 9.4% in 2019, and from 4.9% in the six months ended June 30, 2019 to 18.6% in the six months ended June 30, 2020, reflecting our strategy and efforts to benefit from the rapid growth of e-commerce industry.

BUSINESS

Key Terms of Agreements with Our Advertising Customers

We generally enter into annual framework agreements with our advertising customers and sign an advertising campaign order with them for each advertising campaign, which specifies the online publisher, advertising space, pricing model and payment and settlement terms for the campaign. The key terms and conditions of the annual framework agreements with our advertising customers are generally as follows:

- **Duration.** One year, automatically renewable for consecutive one-year periods thereafter unless either party gives written notice to the other party at least one month prior to the end of the then-current term.
- **Allocation of liability for advertising content.** Generally, our advertising customers are liable for any penalties imposed by government authorities or the relevant online publishers and any third-party claims in connection with illegal or inappropriate advertising content and shall indemnify us against any claims and losses which may arise from illegal or inappropriate advertising content, unless (i) we are at fault, (ii) in case of advertising content produced entirely on our own without any specifications provided by our advertising customers, or (iii) in case of advertising content produced by us in accordance with specifications provided by our advertising customers, which could reasonably be expected to result in violation of applicable laws and regulations or infringement of third-party rights.
- **Ownership of intellectual property rights.** Ownership of intellectual property rights of the advertising content produced by us shall belong to us, while our advertising customers are only entitled to use such content for the purpose of advertising campaigns launched or managed by us.
- **Data verification.** We are not contractually required to verify the ad performance data reported by our media partners. Our advertising customers may engage Independent Third Party data tracking platforms to verify the ad performance data, the cost of which shall be borne by themselves, and any discrepancy discovered pursuant to any such data verification shall be settled between our advertising customers and our media partners directly.
- **Termination.** The annual framework agreements may be terminated (i) during the term upon mutual consent of both parties; (ii) in the event of winding up, liquidation, bankruptcy and insolvency of either party; (iii) in the event of a *force majeure*; and (iv) by the non-defaulting party in the event of a material breach that is not remedied within a prescribed time-period.

During the Track Record Period, our gross billing attributable to the advertising content produced in-house by us accounted for approximately 49.7%, 73.2%, 82.3% and 78.0% of our total gross billing for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively; while our gross billing attributable to the advertising content produced by advertising customers accounted for approximately 50.3%, 26.8%, 17.7% and 22.0% of our total gross billing for the same periods, respectively. Generally, when we produce advertising content for advertising customers, we grant fewer rebates, as a percentage of their gross spending, to such advertising customers. Therefore, our provision of advertising content, as part of our one-stop solutions, generally has a positive impact on our profitability.

We are subject to, and our online marketing solutions are governed by, the “Advertising Law of the PRC” (《中華人民共和國廣告法》) for providing “advertisement design, production and agency services” to advertisers. As advised by our PRC Legal Advisors, pursuant to the “Advertising Law of the PRC”, we will only be held liable for any inappropriate, illegal or offensive advertising content produced in-house or produced by our advertising customers but placed by us under the following circumstances: (i) if we have the knowledge or should have had the knowledge that the advertising content is false, fraudulent or

BUSINESS

misleading; (ii) in terms of false, fraudulent or misleading advertising content that we have no knowledge of, if we fail to provide valid name, address and contact information of the advertiser; (iii) in terms of false, fraudulent or misleading advertising content which has caused damages to a consumer's life and health; and (iv) when the advertising content has infringed the legitimate civil rights and interests of others.

We conduct basic background check of our advertising customers prior to engagement with them and examine the advertising content produced in-house or by our advertising customers through both algorithm-based screening and manual review in accordance with the “Advertising Law of the PRC”, the “Interim Measures on Internet Advertisement” (《互聯網廣告管理暫行辦法》) and other applicable PRC laws and regulations. Our PRC Legal Advisors are of the view that our online advertising business activities are in compliance with the applicable PRC laws and regulations in all material aspects. During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any administrative fines or penalties, or involved in any dispute or proceedings arising from or in connection with any inappropriate, illegal or offensive advertising content placed by us.

Currently, as an online marketing solutions provider, we do not implement any anti-click fraud mechanism but relied on the credibility of our media partners in ensuring the accuracy of the ad performance data provided by them, given that substantially all of our user traffic was acquired from leading online publishers with market leadership and excellent track record. According to iResearch, it is an industry norm that online marketing solutions providers generally do not adopt anti-click fraud mechanism but are entitled to engage Independent Third Party data tracking platforms to independently verify ad performance data when online marketing solutions providers notice any unusual traffic. During the Track Record Period and up to the Latest Practicable Date, there were no material disputes regarding data verification among our advertising customers, media partners and us, and therefore we did not engage any Independent Third Party data tracking platforms to verify the ad performance data reported by media partners.

Our Media Partners

We acquire user traffic from our media partners to place our advertisements online. Our media partners include both online publishers and media agents which engage with us on behalf of online publishers. The table below sets forth the number of media partners for our online marketing solutions business by type for the periods indicated:

	Year ended December 31,			Six months ended June 30, 2020
	2017	2018	2019	
Online publishers.	6	6	6	5
Media agents	122	93	55	31
Total	128	99	61	36

BUSINESS

The following table sets forth the breakdown of our traffic acquisition costs for our online marketing solutions business by type of media partners for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Online publishers	60,189	39.8	909,655	87.7	1,965,127	93.0	1,125,120	94.1	661,717	95.1
Media agents	91,011	60.2	127,684	12.3	148,970	7.0	71,116	5.9	34,054	4.9
Total	151,200	100.0	1,037,339	100.0	2,114,097	100.0	1,196,236	100.0	695,771	100.0

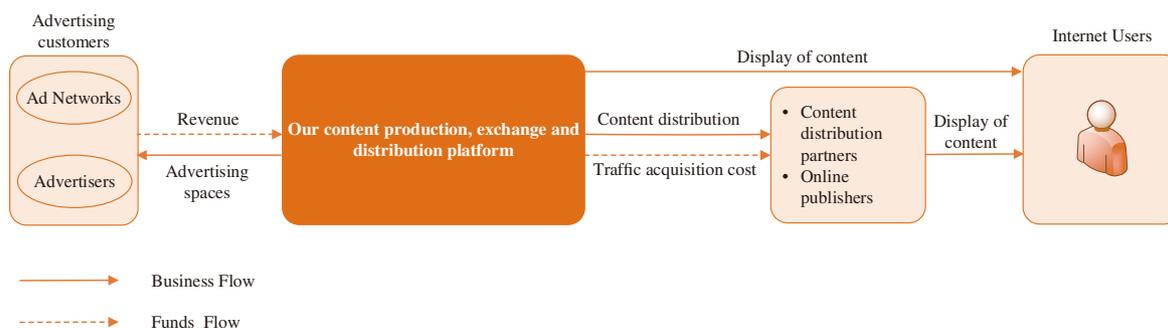
During the Track Record Period, the number of our media agents decreased significantly and our traffic acquisition costs paid to online publishers accounted for an increasing portion of our total traffic acquisition costs, primarily as we managed to deepen our direct cooperation with online publishers and had more transactions with these online publishers directly.

Supplier A was our largest media partner in 2017, 2018 and 2019 and the six months ended June 30, 2020, with purchases from Supplier A accounting for approximately 40.5%, 86.4%, 88.3% and 87.1%, respectively, of our total purchases of user traffic for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Please see “— Top Customers and Suppliers — Top Suppliers — Supplier Concentration on Supplier A — Key terms of agreements with Supplier A.”

OUR PAN-ENTERTAINMENT CONTENT SERVICES BUSINESS

We operate a pan entertainment-oriented content platform through our *Huabian* website (www.huabian.com) and its mobile terminal. According to iResearch, we were the largest pan entertainment-oriented information website in terms of average DAUs in the PRC in 2019. *Huabian* aggregates pan-entertainment articles and photos from professional media, talent agencies and self-media accounts. During the Track Record Period, we generated revenue primarily from providing advertising spaces on our *Huabian* Platform to third-party ad networks, such as Sogou, and advertisers to help advertisers market their products or services. We charged ad networks primarily based on CPM, and charged advertisers primarily based on CPT or CPA, for the advertising spaces we provided on our *Huabian* Platform, while we paid traffic acquisition costs to our content distribution partners for marketing our content and redirecting traffic to our *Huabian* Platform, during the Track Record Period.

The following chart sets forth the business and revenue model of our pan-entertainment content services business:



We also have another two short video KOL programs, *Idol Answers* and *Hippie Entertainment*, featuring television and movie star interviews and entertainment news as part of our pan-entertainment coverage. One of the two short video KOL programs, *Idol Answers*, began to generate revenue from providing product placement opportunities for advertisers to market their product and services since January 2020. *Idol Answers* markets advertisers’ products or services during the interviews with the entertainment celebrities in the programs and presents the relevant information, such as brand name,

product descriptions and functions, of such products or services as a banner, and charges advertisers for a pre-determined fixed amount of service fee. The following picture illustrates the product placement opportunities that *Idol Answers* provides:

The advertisement for advertiser's product



We expect that *Hippie Entertainment* to monetize its traffic in the same manner as *Idol Answers* by providing product placement opportunities to advertisers.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our pan-entertainment content services business was RMB69.6 million, RMB64.7 million, RMB30.7 million and RMB8.6 million, respectively, accounting for 29.6%, 5.5%, 1.3% and 1.1% of our total revenue, respectively, for the same periods.

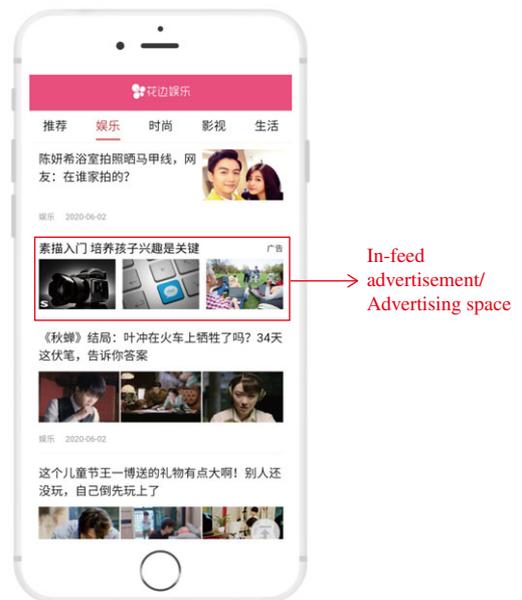
Our Content Platform

The following screenshots illustrate our *Huabian* Platform:

Huabian website



Huabian mobile terminal



BUSINESS

Key Features of Our Content Platform

The success of our pan-entertainment content services business attributes to the following key features of our *Huabian* Platform:

- **Diversified content.** We provide visitors with easy access to our diversified pan entertainment-oriented content through the main page and topic pages including, among others, celebrities, movies and TV series, fashion, pets and automobiles. For the six months ended June 30, 2020, the average daily pieces of content uploaded was approximately 2,200 and the average daily pieces of content passed screening and presented to visitors was approximately 500. In addition, our content platform features original and exclusive content which we believe enables us to attract new visitors and retain existing visitors. Visitors can share content through emails and popular social media and messaging platforms such as *Weibo*, *Weixin* (微信) and *QQ*.
- **High traffic.** According to iResearch, we were China’s largest pan entertainment-oriented information website in terms of average DAUs in the PRC in 2019. During the Track Record Period, the number of PVs of our *Huabian* Platform reached approximately 6.3 billion, while our average DAUs and average MAUs reached more than 3.0 million and more than 91.9 million, respectively. In particular, for the six months ended June 30, 2020, the number of PVs of our *Huabian* Platform was approximately 171.0 million, while our average DAUs and average MAUs reached approximately 0.7 million and 20.5 million, respectively. Please see “— Key Operating Data” below for more details about PVs, average DAUs and average MAUs of our content platform. We believe our large visitor base has enabled and will continue to enable us to capture valuable monetization opportunities.
- **Cross-media multi-channel distribution.** We collaborate with various third-party distribution channels, primarily leading mobile phone brands and mobile tool apps, to market our content. Please see “— Content Distribution” below for more details. We believe our cross-media multi-channel distribution strategy enables us to enhance the exposure of our content with minimal traffic acquisition costs.

Key Operating Data

The following table sets out selected indicators of our *Huabian* Platform as of the dates and for the periods indicated below:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
Pan-entertainment content services business					
PVs (millions) ⁽¹⁾⁽⁴⁾	2,624.3	2,341.3	1,182.1	690.9	171.0
Average DPVs (thousands) ⁽¹⁾⁽⁴⁾	7,190.0	6,414.6	3,238.7	3,816.9	939.7
Average DAUs (thousands) ⁽²⁾⁽⁴⁾	3,807.6	4,672.3	1,755.1	1,912.5	675.3
Average MAUs (thousands) ⁽³⁾⁽⁴⁾	115,815.3	142,117.1	53,385.3	57,694.9	20,484.9
Reposts (thousands) ⁽⁵⁾	571.0	478.2	206.6	134.4	27.8

Notes:

- (1) PVs, or page views, refer to the total number of visits to our *Huabian* website or its mobile terminal during a given period. Average DPVs for a particular year/period is the average of DPVs on each day during that year/period.
- (2) DAUs, or daily active users, refer to the number of unique devices that accessed our *Huabian* Platform on a given day. Multiple accesses from the same device are only counted as one DAU. Average DAUs for a particular year/period is the average of DAUs on each day during that year/period.
- (3) MAUs, or monthly active users, refer to the number of unique devices that accessed our *Huabian* Platform in a given month. Multiple accesses from the same device are only counted as one MAU. Average MAUs for a particular year/period is the average of MAUs on each month during that year/period.

- (4) We charge advertising customers for our pan-entertainment content services primarily based on CPM, CPT and CPA. While the number of PVs or DAUs/MAUs does not directly translate into revenue to be collected under the CPM, CPA and CPT pricing models, they are commonly-used metrics that illustrate the degree of exposure of advertisements. Generally speaking, the more exposure (i.e. the number of PVs or DAUs/MAUs) the advertisements obtain, the more impressions, downloads, installations or other agreed upon actions the advertisements are likely to achieve. Similarly, when the number of PVs or DAUs/MAUs increases, the unit price of advertising spaces on our *Huabian* Platform in a given duration is likely to increase accordingly.
- (5) Reposts refer to the sharing of the content on our *Huabian* Platform by internet users.

During the Track Record Period, the key operating data of our *Huabian* Platform decreased gradually, primarily as internet users became keen to watch short videos as opposed to browsing the websites to read text and image, in line with the market trends, and therefore we strategically shifted our focus to online marketing solutions.

See “— Our Content Production Capability” for operating data regarding *Idol Answers* and *Hippie Entertainment*.

Content Sourcing and Management

Our content providers primarily include professional media, talent agencies and self-media accounts registered on our *Huabian* Platform. The professional media, talent agencies and self-media need to register on our *Huabian* Platform and submit content through our internal content management and distribution system. Each registered professional media, talent agency or self-media account is required to sign an agreement electronically in the registration process, which provides, among others, that (i) we are authorized to deliver content it submitted free of charge; (ii) the content provider acknowledges that it will not deliver illegal or inappropriate content through our *Huabian* Platform; and (iii) we have the right to screen, sort and monitor content, and we may remove any illegal or inappropriate content without notifying the content provider. We have the right to freeze an account for any violations of laws and regulations and our internal policies, such as plagiarism or submission of inappropriate content. As of the Latest Practicable Date, there were approximately 892 registered self-media accounts on our *Huabian* Platform.

We undertake an efficient and thorough screening process that involves both algorithm-based screening and manual review in order to ensure the quality and appropriateness of content presented to visitors of our *Huabian* Platform. In particular,

- **Algorithm-based Screening.** We apply algorithms to screen texts and images. Our internal content management and distribution system screens texts based on pre-set keywords, and we utilize AI to identify illegal or inappropriate images through deep learning. The screening system automatically declines content that did not meet our standards and flags suspicious content for manual review by our content management team.
- **Manual Review.** Our content management team, consisting of seven employees as of June 30, 2020, is responsible for monitoring all information before delivery through our *Huabian* Platform. The content management team reviews suspicious content identified in the algorithm-based screening process and makes the final decision as to whether to decline such content.

BUSINESS

During the Track Record Period, content produced in-house by us accounted for approximately 100.0%, 18.3%, nil and nil of the total content on our *Huabian* Platform for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively; while content provided by professional media, talent agencies and self-media accounted for nil, approximately 81.7%, 100.0% and 100.0% of the total content on our *Huabian* Platform for the same periods, respectively. The decreasing proportion of content produced in-house by us reflected our strategy to focus on short video marketing solutions business.

Content Monetization and Our Advertising Customers

During the Track Record Period, we generated revenue primarily from providing advertising spaces on our *Huabian* Platform to third-party ad networks, such as Sogou, and charged them based on CPM for such advertising spaces. We have entered into a membership registration agreement with each of these ad networks, pursuant to which we are required to comply with relevant laws and regulations as well as the ad network's guidelines for its platform participants, including data privacy protection and prohibitions on fraudulent clicks. The ad network has the right to terminate the agreement anytime upon written notice.

In addition, we provide advertising spaces on our *Huabian* Platform to advertisers primarily in exchange for a CPT- or CPA-based service fee.

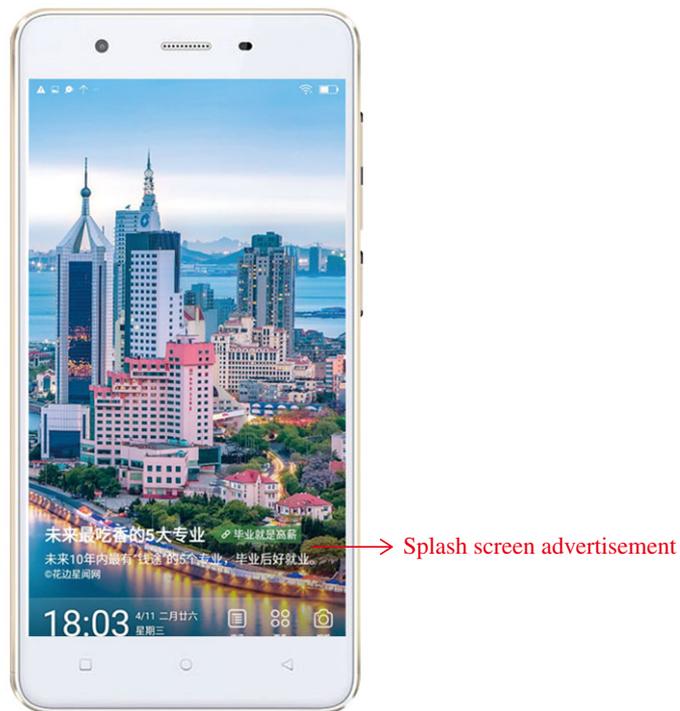
The table below sets forth a breakdown of revenue generated from our pan-entertainment content services business by type of our advertising customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Ad networks	14,186	20.4	24,387	37.7	21,078	68.6	13,317	69.3	1,436	16.6
Advertisers	55,400	79.6	40,358	62.3	9,654	31.4	5,896	30.7	7,200	83.4
Total	69,586	100.0	64,745	100.0	30,732	100.0	19,213	100.0	8,636	100.0

See “Financial Information — Description of Key Statements of Profit or Loss Items — Revenue — Revenue from Our Pan-entertainment Content Services Business.”

Content Distribution

We collaborate with various third-party distribution channels, including leading mobile phone brands and mobile tool apps, and other business partners such as iQIYI, to market our content and generate traffic to our *Huabian* Platform. For example, we meticulously select content based on the tastes and preferences of the users of such mobile phone brands, which present selected content on their splash screens, and mobile phone users who are interested in our content will be redirected to our *Huabian* mobile terminal by clicking the links on the splash screens. We pay our content distribution partners traffic acquisition costs primarily based on CPC.



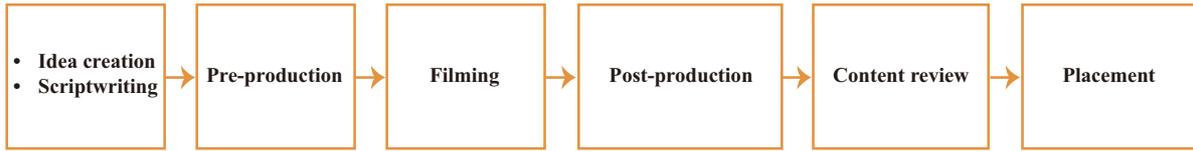
For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our traffic acquisition costs paid to our content distribution partners were RMB33.1 million, RMB35.1 million, RMB20.4 million and RMB4.8 million, respectively, accounting for approximately 18.0%, 3.3%, 1.0% and 1.6% of our total traffic acquisition costs, respectively, for the same periods.

OUR CONTENT PRODUCTION CAPABILITY

Our content production capability is one of our core competencies that make us stand out in the industry in which we operate. We have an in-house content production team enabling us to produce customized, appealing and attention catching ad creatives, improving the marketing efficiency for our advertisers. Our content production team consisted of 86 full-time employees as of June 30, 2020, including scriptwriters, directors, editors and post-production crew, with the capacity to produce 4,400 pieces of short videos each month.

BUSINESS

The following chart illustrates the workflow of our short video ad creative production, the whole process of which generally takes one week:



- **Idea creation and scriptwriting.** Pursuant to the advertiser’s specific requirement, we develop creative ideas for the advertising campaign which are then translated to the script by an in-house scriptwriter.
- **Pre-production and Filming.** We engage actors and/or actresses or sometimes invite our gifted employees to appear in the shooting of our videos. Pre-production preparation involves make-ups, costumes, props and sets. Our in-house director coordinates with other production crew, such as filming and lighting, to deliver alternative shots and scenarios to be selected for inclusion in the final video.
- **Post-production.** After completion of filming, the director works with our in-house editors and post-production crew to select the scenes to assemble to the final video, including video and sound editing, creating and recording music, adding special effects and color grading.
- **Content review and placement.** Our legal and compliance department reviews the content to ensure that we comply with applicable laws and regulations, ethical standards as well as the relevant online publisher’s internal policies. The placement of an advertisement is also subject to the review and approval by both the advertiser and the online publisher.

In addition to our original ad creatives for our online marketing solutions business, our in-house content production team produces other original short video content. For example, we have produced a short video KOL programs featuring interviews with movie and television stars, *Idol Answers*, and released the videos on approximately 40 online publishers, including iQIYI. As of the Latest Practicable Date, *Idol Answers* had accumulated more than 1 million followers on its *Weibo* public account. As part of our pan-entertainment coverage, we also have another short video KOL brand, *Hippie Entertainment*, featuring the latest and breaking celebrity entertainment news, which is distributed across approximately 27 top online publishers, such as Tencent Video (騰訊視頻) and Mango TV (芒果TV). According to CAASDATA, both *Idol Answers* and *Hippie Entertainment* ranked top 50 among all PGCs in the PRC. These two KOL programs had accumulated video views of more than 600 million as of the Latest Practicable Date.

TOP CUSTOMERS AND SUPPLIERS

Top Customers

During the Track Record Period, our customers primarily include (i) advertisers and advertising agencies for our online marketing solutions; and (ii) third-party ad networks and advertisers for advertising spaces on our *Huabian* Platform. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the number of our repeat customers was 192, 308, 374 and 244, respectively, and the retention rate of our advertising customers was approximately 31.7%, 57.9%, 51.4% and 53.4% for the same periods, respectively. Revenue generated from these repeat customers was approximately RMB177.1 million, RMB1,108.5 million, RMB1,996.0 million and RMB637.5 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, accounting for approximately 75.2%, 93.5%, 86.3% and 80.0% of our total revenue for the same periods, respectively. We have maintained business relationships with our five largest customers during the Track

BUSINESS

Record Period of one to six and a half years as of the Latest Practicable Date. We generally grant to our customers credit terms of 30 to 90 days and settle with them by wire transfer. Sometimes we also require certain advertising customers to prepay for our online marketing solutions. Please see “— Our Online Marketing Solutions Business — Our Advertising Customers” and “— Our Pan-entertainment Content Services Business — Content Monetization and Our Advertising Customers” for more details.

Year Ended December 31, 2017

Customer	Nature of revenue	Revenue (RMB'000)	As a percentage of our total revenue (%)	Years of business relationship with us	Background
Customer A . .	Online marketing solutions	37,159	15.8	3	A private mobile game developer and operator controlled by an individual with a registered capital of RMB10.5 million, founded in 2013
Customer B . .	Online marketing solutions/ pan-entertainment content services	27,357	11.6	4	A private financial services company controlled by individuals with a registered capital of RMB7.9 million, founded in 2015
Customer C . .	Pan-entertainment content services	9,681	4.1	6.5	A leading China's search engine with total assets of RMB299.0 billion as of March 31, 2020, listed on Nasdaq in the U.S., founded in 2000
Customer D . .	Online marketing solutions	8,485	3.6	5	A private live streaming platform operator controlled by an entity with a registered capital of US\$116.2 million, founded in 2012
Shanghai Buwei	Online marketing solutions/ pan-entertainment content services	5,025	2.1	4	A private social interactive communication service provider controlled by an individual with a registered capital of RMB1.3 million, founded in 2017
Total		87,707	37.2		

BUSINESS

Year Ended December 31, 2018

Customer	Nature of revenue	Revenue	As a percentage of our total revenue	Years of business relationship with us	Background
		(RMB'000)	(%)		
Customer E . .	Online marketing solutions	220,181	18.6	2.5	A domestic web game developer with a registered capital of RMB10.0 million, founded in 2015. It is a wholly-owned subsidiary of a public company listed on the Shenzhen Stock Exchange in China
Customer F . .	Online marketing solutions	85,232	7.2	3	A mobile game developer and operator with a registered capital of RMB1.0 million, founded in 2015. It is a wholly-owned subsidiary of a public company listed on the NEEQ in China
Customer G . .	Online marketing solutions	59,285	5.0	3	A private mobile game developer and operator controlled by individuals with a registered capital of RMB10.0 million, founded in 2015
Customer A . .	Online marketing solutions	56,923	4.8	3	A private mobile game developer and operator controlled by an individual with a registered capital of RMB10.5 million, founded in 2013
Customer H . .	Online marketing solutions	53,042	4.5	2.5	A private mobile game developer and operator controlled by an individual with a registered capital of RMB2.7 million, founded in 2017
Total		474,663	40.1		

BUSINESS

Year Ended December 31, 2019

Customer	Nature of revenue	Revenue (RMB'000)	As a percentage of our total revenue (%)	Years of business relationship with us	Background
Customer E . . .	Online marketing solutions	657,125	28.4	2.5	A domestic web game developer with a registered capital of RMB10.0 million, founded in 2015. It is a wholly-owned subsidiary of a public company listed on the Shenzhen Stock Exchange in China
Customer I . . .	Online marketing solutions	123,123	5.3	1	A private mobile game developer and distributor focusing on overseas market controlled by an individual with a registered capital of RMB45.0 million, founded in 2015
Customer J . . .	Online marketing solutions	96,669	4.2	2	An online fashion shopping platform operator with total assets of RMB2,441 million as of March 31, 2020, founded in 2011. It is a wholly-owned subsidiary of a public company listed on the the New York Stock Exchange in the U.S.
Customer K . . .	Online marketing solutions	63,592	2.8	3.5	A private online financial services provider controlled by an individual with a registered capital of RMB500.0 million, founded in 2015
Chengdu DKM Network Technology Co., Ltd. (成都哆可梦網絡科技有限公司) .	Online marketing solutions	60,882	2.6	3	A mobile game developer and operator with a registered capital of RMB20.0 million, founded in 2009. It is a subsidiary of a public company listed on the Shenzhen Stock Exchange in China
Total		<u>1,001,391</u>	<u>43.3</u>		

BUSINESS

Six months ended June 30, 2020

Customer	Nature of revenue	Revenue (RMB'000)	As a percentage of our total revenue (%)	Years of business relationship with us	Background
Customer L . .	Online marketing solutions	73,159	9.2	1	A private Wechat mini programs developer focusing on financial industry controlled by individuals with a registered capital of RMB10.0 million, founded in 2017
Customer M . .	Online marketing solutions	55,320	6.9	3	A private mobile game developer and distributor controlled by individuals with a registered capital of RMB10.0 million, founded in 2014
Customer N . .	Online marketing solutions	46,168	5.8	1	A private cosmetics e-commerce company managing several imported skin care brands. It is controlled by an individual and several entities and has a registered capital of RMB30.8 million, founded in 2011.
Shanghai Fanshu Network Technology Co., Ltd. (上海繁樹 網絡科技 有限公司) . .	Online marketing solutions	44,880	5.6	1	A private online advertising solutions provider primarily serving online gaming companies controlled by an individual with a registered capital of RMB5.0million, founded in 2019
Shanghai Jieshang Network Technology Co., Ltd. (上海界商 網絡科技 有限公司) . .	Online marketing solutions	44,369	5.6	3	A private online advertising solutions provider primarily serving cash-on-delivery e-commerce merchants, controlled by individuals with a registered capital of RMB10.0 million, founded in 2018
Total		263,896	33.1		

BUSINESS

Customer E ceased to transact with us since November 2019, as it sought to place advertisements directly through Supplier A's short video platforms. We maintained a good business relationship with customer E and did not have any material disagreements or disputes with it during the Track Record Period. As of the Latest Practicable Date, we did not have any outstanding trade receivables due from customer E. During the Track Record Period, the gross profit margins generated from customer E was 4.3% and 3.0% in 2018 and 2019, respectively, which were lower than those of our overall online marketing solutions business in the same years. The gross profit margin generated from our advertising customers (other than customer E) was 8.4% and 10.2% in 2018 and 2019, respectively. This was primarily because we granted relatively high rebates to customer E after taking into consideration the significant amount of its purchases from us. According to iResearch, it is uncommon and not economically efficient for leading short video platforms to transact with advertisers directly, as (i) compared to acquisition of traffic from leading online publishers, advertisers are in greater need of value-added services provided by online marketing solutions providers, such as creative planning of advertising campaign, production of ad creatives and management of campaign performance, to achieve better marketing effectiveness; while online publishers generally do not offer such value-added services as they have to invest time and efforts to learn about advertisers' diverse and evolving marketing needs and closely monitor campaign performance to achieve desired results; (ii) to monetize user traffic is more economically efficient than to provide value-added services and is currently the primary monetization method for online publishers. Online publishers do not have motivations to deal with hundreds of thousands of advertisers directly because they have to expand their sales and marketing teams to directly serve advertisers, which will divert online publishers from their core business. To some extent, online publishers need online marketing solutions providers to handle a massive population of advertisers so that they can concentrate on the development of their core business. During the Track Record Period and up to the Latest Practicable Date, except for customer E, we did not lose any advertising customers due to their direct cooperation with online publishers. Despite that the loss of customer E had an adverse impact on the scale of our business, our profitability was not adversely affected as a result of the lower gross profit margin generated from customer E but was improved as a result of the allocation of financial resources to more profitable advertising customers. See "Summary — Summary of Historical Financial Information — Summary of Consolidated Statements of Profit or Loss — Revenue."

Our Directors believe, and the Sole Sponsor concurs, that our loss of customer E was incidental and the risk of disintermediation on our business sustainability is remote, because (i) as advised by iResearch, it is uncommon and not economically efficient for leading short video platforms to transact directly with advertisers. Supplier A's direct transaction with customer E was mainly related to Supplier A's acquisition of a subsidiary of customer E in 2019; and (ii) given that certain major customers, such as customer E, usually had stronger bargaining power, required longer credit period and contributed lower gross profit margin, we prefer to cease our cooperation with such customers and allocate our financial resources to more profitable advertising customers. After termination of cooperation with customer E, we allocated our additional available resources to approximately 158 new customers, and generated revenue of RMB84.2 million, gross profit of RMB7.4 million and gross profit margin of 8.8% from these new customers for the six months ended June 30, 2020. In spite of the low risk of disintermediation, we have been adopting the following measures to mitigate such risks: (i) conducting regular communications with our top customers to learn about their evolving needs, and improve our services and diversify our service offerings based on their constructive feedback, such as the launch of our content exchange platform; and (ii) continually ramping up our big data analytics capability to more precisely identify target consumers and reinforce our ability to optimize campaign performance so as to improve the marketing effectiveness for our advertising customers.

BUSINESS

Except Shanghai Buwei, all of our five largest customers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any Shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period. In addition, to the best of the knowledge of our Directors, except Shanghai Buwei, none of us, our Controlling Shareholders, directors and senior management of the Company and its subsidiaries, and any of their respective associates has any other past or present relationships, such as business, employment, family or financing, with our five largest customers (save for being our customers) during the Track Record Period.

Top Suppliers

During the Track Record Period, our suppliers primarily include (i) media partners, consisting of online publishers (namely, owners of content distribution platforms) and media agents which engage with us on behalf of online publishers, for traffic acquisition; and (ii) third-party content distribution partners which generate and redirect traffic to our *Huabian* Platform. We have maintained business relationships with our five largest suppliers during the Track Record Period of one to five years as of the Latest Practicable Date. Our suppliers generally settle with us by wire transfer and grant to us credit terms within 90 days. Certain suppliers also require for prepayment for acquiring their traffic. Please see “— Our Online Marketing Solutions Business — Our Media Partners” and “— Our Pan-entertainment Content Services Business — Content Distribution” for more details.

Year Ended December 31, 2017

Supplier	Nature of cost	Cost of sales (RMB'000)	As a percentage of our total cost of sales (%)	Years of business relationship with us	Background
Supplier A . . .	traffic acquisition cost for online marketing solutions	59,252	31.9	3.5	A private technology company operating a range of leading content distribution platforms controlled by an entity with a registered capital of US\$300.0 million, founded in 2012
Supplier B . . .	traffic acquisition cost for online marketing solutions	27,959	15.1	3.5	A private advertising services provider controlled by an individual with a registered capital of RMB30.4 million, founded in 2012
Supplier C . . .	traffic acquisition cost for online marketing solutions	11,222	6.0	3	A private advertising services provider controlled by an individual with a registered capital of RMB1.0 million, founded in 2015

BUSINESS

Supplier	Nature of cost	Cost of sales (RMB'000)	As a percentage of our total cost of sales (%)	Years of business relationship with us	Background
Supplier D . . .	traffic acquisition cost for online marketing solutions/pan-entertainment content services	10,183	5.5	5	A private technical and advertising services provider controlled by an individual with a registered capital of RMB10.0 million, founded in 2015
Supplier E . . .	traffic acquisition cost for online marketing solutions	9,298	5.0	4	A leading targeted marketing services provider with total assets of RMB3.3 billion as of December 31, 2019, listed on the Hong Kong Stock Exchange, founded in 2014
Total		117,914	63.5		

Year Ended December 31, 2018

Supplier	Nature of cost	Cost of sales (RMB'000)	As a percentage of our total cost of sales (%)	Years of business relationship with us	Background
Supplier A . . .	traffic acquisition cost for online marketing solutions	908,899	84.3	3.5	A private technology company operating a range of leading content distribution platforms controlled by an entity with a registered capital of US\$300.0 million, founded in 2012
Supplier F . . .	traffic acquisition cost for online marketing solutions	55,967	5.2	2.5	A private technical and advertising services provider controlled by an individual with a registered capital of RMB3.9 million, founded in 2017
Supplier C . . .	traffic acquisition cost for online marketing solutions	11,982	1.1	3	A private advertising services provider controlled by an individual with a registered capital of RMB1.0 million, founded in 2015

BUSINESS

Supplier	Nature of cost	Cost of sales (RMB'000)	As a percentage of our total cost of sales (%)	Years of business relationship with us	Background
Supplier G . . .	traffic acquisition cost for pan-entertainment content services	10,999	1.0	4.5	A private advertising services provider controlled by an individual with a registered capital of RMB10.0 million, founded in 2014
Supplier H . . .	traffic acquisition cost for online marketing solutions	10,488	1.0	3	A private technical and advertising services provider controlled by an entity with a registered capital of RMB30.0 million, founded in 2015
Total		998,335	92.6		

Year Ended December 31, 2019

Supplier	Nature of cost	Cost of sales (RMB'000)	As a percentage of our total cost of sales (%)	Years of business relationship with us	Background
Supplier A . . .	traffic acquisition cost for online marketing solutions	1,846,571	85.7	3.5	A private technology company operating a range of leading content distribution platforms controlled by an entity with a registered capital of US\$300.0 million, founded in 2012
Supplier I	traffic acquisition cost for online marketing solutions	102,686	4.8	1.5	A private company operating a leading video sharing app controlled by an entity with a registered capital of RMB10.0 million, founded in 2016
Supplier J . . .	traffic acquisition cost for online marketing solutions	84,331	3.9	2	A private technical and advertising services provider controlled by an individual with a registered capital of RMB1.0 million, founded in 2017

BUSINESS

Supplier	Nature of cost	Cost of sales	As a percentage of our total cost of sales	Years of business relationship with us	Background
		(RMB'000)	(%)		
Supplier K . . .	traffic acquisition cost for online marketing solutions	21,940	1.0	4	An integrated media advertising company with a registered capital of RMB50.0 million, founded in 2011. It is a wholly-owned subsidiary of a public company listed on the Shenzhen Stock Exchange in China
Supplier L . . .	traffic acquisition cost for online marketing solutions	15,007	0.7	1.5	A private advertising services provider controlled by an individual with a registered capital of RMB1.0 million, founded in 2013
Total		<u>2,070,535</u>	<u>96.1</u>		

Six months ended June 30, 2020

Supplier	Nature of cost	Cost of sales	As a percentage of our total cost of sales	Years of business relationship with us	Background
		(RMB'000)	(%)		
Supplier A . . .	traffic acquisition cost for online marketing solutions	544,022	76.3	3.5	A private technology company operating a range of leading content distribution platforms controlled by an entity with a registered capital of US\$300.0 million, founded in 2012
Supplier I	traffic acquisition cost for online marketing solutions	109,505	15.4	1.5	A private company operating a leading video sharing app controlled by an entity with a registered capital of RMB10.0 million, founded in 2016
Supplier M . . .	traffic acquisition cost for online marketing solutions	19,479	2.7	2	A private advertising services provider controlled by an individual with a registered capital of RMB1.0 million, founded in 2017

BUSINESS

Supplier	Nature of cost	Cost of sales (RMB'000)	As a percentage of our total cost of sales (%)	Years of business relationship with us	Background
Supplier L . . .	traffic acquisition cost for online marketing solutions	6,979	1.0	1.5	A private advertising services provider controlled by an individual with a registered capital of RMB1.0 million, founded in 2013
Supplier N . . .	traffic acquisition cost for online marketing solutions	4,667	0.7	1	A private mobile digital marketing solutions provider controlled by an individual and certain entities with a registered capital of RMB10.0 million, founded in 2017. It was the fourth largest marketing solutions provider in terms of user traffic consumption of short video advertisements in 2019 in the PRC
Total		<u>684,652</u>	<u>96.1</u>		

All of our five largest suppliers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. In addition, to the best of the knowledge of our Directors, none of us, our Controlling Shareholders, directors and senior management of the Company and its subsidiaries, and any of their respective associates has any other past or present relationships, such as business, employment, family or financing, with our five largest suppliers (save for being our suppliers) during the Track Record Period.

Supplier Concentration on Supplier A

Background Information of Supplier A

Supplier A, founded in 2012, is a leading Chinese internet technology company and considered as one of the most valuable unicorns in the world. Supplier A operates several most popular AI technology-enabled content distribution platforms, including Toutiao, Douyin, Xigua Video, Huoshan, Dongchedi and Chuanshanjia. According to iResearch, Supplier A was the largest short video platform operator in terms of revenue generated from short video advertisements in the PRC in 2019, with a market share of approximately 70.0%.

Douyin is a creative musical and short video platform, which pioneers in the short video marketing market. According to iResearch, Douyin was the largest short video platform in terms of average DAUs in the PRC in 2019. Douyin was launched in September 2016, opening up a new era for video sharing and short video marketing recommendation. In addition, according to iResearch, Xigua Video and Huoshan were the third and fourth largest short video platforms in terms of average DAUs in the PRC in 2019, respectively.

BUSINESS

Toutiao is a personalized news and information recommendation platform, which gradually evolved into a platform delivering content in a variety of formats, such as texts, images, question-and-answer posts, microblogs, and videos. Toutiao offers its users customized information feeds that are powered by AI technology.

According to iResearch, it is quite common for short video marketing solutions providers to rely on Supplier A's short video platforms to acquire user traffic and place short video advertisements, due to its dominant market leadership and largest market share.

Key Terms of Agreements with Supplier A

We have entered into annual framework agreements with Supplier A, which are subject to annual renewal, and sign an advertising campaign order with it for each advertising campaign, which specifies the specific content distribution platform, advertiser, advertising space, pricing model and payment and settlement terms for the campaign. The key terms and conditions of the annual framework agreements with Supplier A are generally as follows:

- **Duration.** One year.
- **Advertising content.** We undertake to ensure the advertising content we place on Supplier A's content distribution platforms is not false, fraudulent or misleading, does not violate any applicable laws, regulations and Supplier A's internal policies, and does not infringe any third party's rights. Supplier A is entitled to terminate the agreements with us if we fail to remedy any illegal or inappropriate advertising content after being notified by Supplier A and we shall indemnify Supplier A against any claims and losses which may arise from any such illegal or inappropriate advertising content.
- **Data verification.** We are entitled to engage Independent Third-Party data tracking platforms to verify the ad performance data provided by Supplier A and settle any discrepancy with it in accordance with the terms of the agreements.
- **Confidentiality.** Each party shall keep confidential of the information acquired in the performance of the relevant agreement and the contract terms thereof, unless otherwise required by laws and regulations or with the prior written consent of the other party.
- **Termination.** The annual framework agreements may be terminated (i) upon mutual consent of both parties; (ii) in the event of a *force majeure*; and (iii) by the non-defaulting party in the event of a material breach.

According to iResearch, due to Supplier A's dominant market position, it adopts a universal standard annual framework agreement with all online marketing solutions providers, the key terms and conditions of which, including the annual renewal mechanism, are applicable to all online marketing solutions providers. Our agreements with Supplier A are in general similar to those with other major online publishers, such as Kuaishou and Xiaohongshu, both in respect of scope and substance. All of our agreements with online publishers are negotiated on an arm's length basis, and none of these agreements includes any non-competition clause that prevents the placement of the same advertising content provided by us on other online publishers. Our annual framework agreement with Supplier A generally starts from January 1 and expires on December 31 of each year. We generally approach Supplier A one month prior to the expiry of the annual framework agreement for the renewal of our cooperation with Supplier A in the next year. We have successfully renewed our annual framework agreements with Supplier A on similar key terms and conditions since the establishment of our cooperation in 2017. Since our cooperation with Supplier A in 2017 and up to the Latest Practicable Date, there had been no material service interruptions or disputes between Supplier A and us.

BUSINESS

Quantitative Information in Relation to Purchases from Supplier A

During the Track Record Period, we generated a significant amount of revenue from our advertising customers by planning, launching and managing advertising campaigns through Supplier A's content distribution platforms. We charge our advertising customers primarily measured by a mix of oCPM and CPC. We acquire user traffic from Supplier A and pay traffic acquisition costs to it based primarily on a mix of oCPM and CPC. The table below illustrates our gross billing and total purchases of traffic acquisition in connection with Supplier A for the periods indicated:

	Year ended December 31,			Six months ended
	2017	2018	2019	June 30, 2020
	% of our gross billing or total purchases of traffic acquisition (as applicable)			
Gross billing	37.7	85.2	87.1	84.8
Total purchases of traffic acquisition	40.5	86.4	88.3	87.1

Stable and Cooperative Relationships with Supplier A

We are Supplier A's early collaborator and began to acquire user traffic from its content distribution platforms in 2016. We rely on Supplier A's content distribution platforms to collect ad performance data to analyze and develop our own data graphs to better optimize our campaign performance. We were also one of the early online marketing solutions providers to offer short video marketing solutions through Douyin after it was launched in September 2016. We believe we are a valuable business partner of Supplier A in the sense that:

- ***We are a leading market player in the PRC with rapid growth.*** According to iResearch, we were the third largest online marketing solutions provider in terms of gross billing generated from short video advertisements in 2019. We were also the third largest online marketing solutions provider (out of 100 to 250 online marketing solutions providers that have contractual relationships with Supplier A) in terms of user traffic consumption of advertisements placed on Supplier A's all content distribution platforms in 2019, according to the same source. During the Track Record Period, we experienced rapid growth in terms of our business with Supplier A. Our gross billing generated through Supplier A's content distribution platforms increased at a CAGR of 348.5% from 2017 to 2019. We were awarded Rapid Growth Prize (突飛猛進獎) by Supplier A as its fastest growing business partner in 2017. We also won several prizes in Effect-Up Marketing Competition organized by Supplier A in 2018 and 2019.
- ***We provide value-added services to advertisers which content distribution platforms generally do not offer.*** We provide one-stop solutions to advertisers to help them acquire, convert and retain consumers through effective and cost-efficient advertising campaign. Our value-added services include production of ad creatives and management of campaign performance, which are generally not available if the advertisers transact directly with leading online publishers. We believe that it is not economically efficient for leading online publishers to invest time and efforts to learn about advertisers' diverse and evolving needs and closely monitor campaign performance to achieve effectiveness, as they are more inclined to monetize their massive traffic. For instance, Supplier A confirmed during interviews with us that it (i) generally does not offer such value-added services directly to advertisers, except for a limited number of conglomerates; and (ii) did not and will not proactively approach advertisers who are existing customers of advertising agencies, as serving advertisers directly requires massive labor and therefore is burdensome to Supplier A.

BUSINESS

- ***We serve a sizable, diversified and fast-growing advertiser base.*** We serve a fast-growing and diversified advertiser base operating in a wide array of industry verticals, including online gaming, financial services, e-commerce, internet services, advertising and culture & media. Advertisers who had direct contractual relationships with us increased from 558 in 2017 to 669 in 2019, representing a CAGR of 9.5%; while the average revenue per direct advertiser increased from RMB0.4 million in 2017 to RMB3.3 million in 2019, representing a CAGR of 187.2%.

Supplier A believes we, as online marketing solutions provider, are key and valuable business partner because we can provide tremendous ad creatives to diversify the content published on their platforms to appeal visitors and potential consumers.

Diversification of media partner base and revenue stream

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue generated through Supplier A's content distribution platforms amounted to RMB69.8 million, RMB986.4 million, RMB1,962.8 million and RMB589.3 million, accounting for approximately 29.7%, 83.2%, 84.9% and 73.9% of our total revenue for the same periods, respectively. We have made efforts to reduce our supplier concentration on Supplier A by diversifying our media partner base and seeking opportunities to cooperate with other industry leading content distribution platforms. For example, we commenced our business relationship with Kuaishou and Xiaohongshu in February 2019. According to iResearch, Kuaishou was the second largest short video platform in terms of revenue generated from short video advertisements in the PRC in 2019 with a market share of approximately 20.0%. Kuaishou has been growing rapidly and exploring to monetize its traffic. Due to the leading market position of and our solid cooperation with Kuaishou, it was among our five largest suppliers in 2019 and the six months ended June 30, 2020. Our revenue generated through Kuaishou was RMB116.0 million and RMB122.3 million for the year ended December 31, 2019 and the six months ended June 30, 2020, respectively, accounting for approximately 5.0% and 15.3%, respectively, of our total revenue for the same periods. In addition, according to iResearch, Xiaohongshu was the third largest social network platform in China in terms of average DAUs in 2019. Our revenue generated through Xiaohongshu was RMB16.9 million and RMB8.1 million for the year ended December 31, 2019 and the six months ended June 30, 2020, respectively, accounting for approximately 0.7% and 1.0%, respectively, of our total revenue for the same periods. In addition to expanding the breadth and depth of cooperation with leading content distribution platforms, we plan to explore business opportunities with emerging industry players in the online marketing industry. For example, we began to acquire user traffic from Tencent Weishi to place advertisements for our advertising customers in January 2020. For more details, see “— Our Strategies — Strengthen and deepen our collaboration with top online publishers and diversify our media partner base.” As of the Latest Practicable Date, we had maintained well-established business relationships with the six largest short video platforms in China, including Douyin, Kuaishou, Xigua Video, Huoshan and Tencent Weishi (騰訊微視), as well as other leading content distribution platforms, including Xiaohongshu (小紅書) and Qutoutiao (趣頭條). As a result of our efforts to reduce supplier concentration on Supplier A, our gross billing generated through Supplier A's content distribution platforms, as a percentage of our total gross billing, decreased from 87.1% in 2019 to 84.8% in the six months ended June 30, 2020, and our revenue generated through Supplier A's content distribution platforms, as a percentage of our total revenue, decreased from 84.9% in 2019 to 73.9% in the six months ended June 30, 2020.

In addition, we plan to actively explore opportunities to further diversify our revenue stream and monetize content production capability. For example, we have entered into an investment agreement with a leading media group listed in the PRC to produce a web film. For more details, see “— Our Strategies — Continue to unleash the monetization potential of our content production, exchange and distribution platform that offers full cycle services.”

BUSINESS

We are capable of maintaining our revenue in the future in light of the supplier concentration

According to iResearch, the size of the short video marketing market in China, which is our main business focus, was approximately RMB102.5 billion in 2019. Due to (i) the increased popularity of short video among audiences and advertisers; (ii) the prevalence of internet devices and upgraded information technology infrastructure, such as 5G; (iii) the availability of quality content; and (iv) the improved audience experience empowered by technological innovation and progress, such as AI and AR, this market is expected to further grow at a CAGR of 35.6% from RMB172.4 billion in 2020 to RMB582.5 billion in 2024. As a leading player in this market, we believe that we will continue to be well positioned and benefit from the significant market growth potential.

Our Directors believe that it is inevitable for short video marketing solutions providers, including us, to rely on Supplier A's leading short video platforms to acquire user traffic and place short video advertisements, due to Supplier A's dominant market position and largest market share. In spite of reliance on Supplier A, given our market leadership, value-added services provided to advertisers, sizable and increasing advertiser base, well-established business relationship with other leading short video platforms, as well as the rapidly growing short video marketing market, we are capable of maintaining our operations and growth in the future.

Please see "Risk Factors — Risks Relating to Our Business and Industry — We acted as a middleman between advertising customers and Supplier A and relied on Supplier A to acquire user traffic for our advertisers during the Track Record Period. If we fail to maintain our business relationship with Supplier A or if Supplier A loses its leading market position or popularity, our business, financial condition and results of operations could be materially and adversely affected."

Overlapping of Customers and Suppliers

During the Track Record Period, some of our advertising customers were also online publishers for our online marketing solutions. According to iResearch, it is common in the online marketing industry that online publishers may become advertisers when they have advertising needs to market their products or services on other content distribution platforms. The number of overlapping customers and suppliers was 19, 16, five and one for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of our sales to and purchases from these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. The revenue from these overlapping customers and suppliers for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was RMB8.9 million, RMB7.3 million, RMB3.1 million and RMB0.9 million, respectively, accounting for approximately 3.8%, 0.6%, 0.1% and 0.1% of our total revenue for the same periods. The cost of sales attributable to these overlapping customers and suppliers for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was RMB20.6 million, RMB23.3 million, RMB6.1 million and RMB4.3 million, respectively, accounting for approximately 11.1%, 2.2%, 0.3% and 0.6% of our total cost of sales, respectively, for the same periods. The gross profit generated from these overlapping customers and suppliers for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was RMB5.4 million, RMB3.7 million, RMB1.1 million and RMB0.9 million, respectively, accounting for approximately 10.9%, 3.4%, 0.7% and 1.1% of our total gross profit, respectively, for the same periods.

SALES AND MARKETING

As of June 30, 2020, we had a sales and marketing team comprising 57 full-time employees. Our marketing efforts are focused on deepening our relationships with existing customers, developing relationships with new and potential customers and exploring untapped business opportunities.

BUSINESS

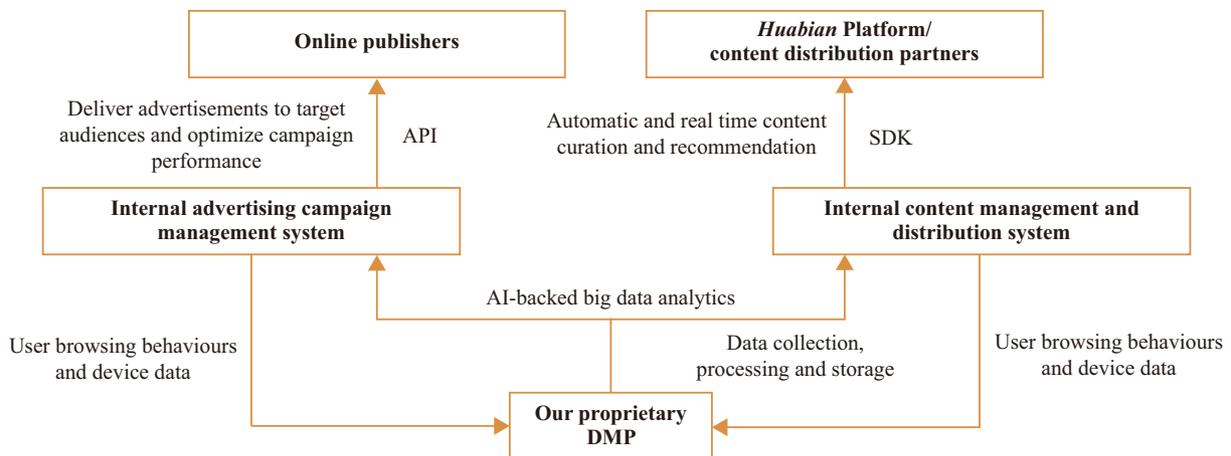
For our online marketing solutions business, we endeavor to increase our brand exposure and acquire new customers and suppliers through attending industry exhibitions and public relations conferences. For our pan-entertainment content services business, we collaborate with our content distribution partners to market our content and generate traffic to our *Huabian* Platform. Please see “— Our Pan-entertainment Content Services Business — Content Distribution” for more details.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our selling and distribution expenses amounted to RMB1.3 million, RMB5.9 million, RMB7.8 million and RMB2.3 million, respectively, accounting for approximately 0.6%, 0.5%, 0.3% and 0.3% of our total revenue, respectively, for the same periods.

OUR INFORMATION TECHNOLOGY INFRASTRUCTURE

Our platform is built on a highly scalable and reliable cloud-based technology architecture through cooperation with a leading cloud computing service provider. This allows us to process large amounts of data on a real-time basis and ensures high speed and stable performance on a large scale to accommodate more customers and suppliers and support the increased complexity and diversity of our business operations. Our information technology infrastructure primarily comprises (i) our internal advertising campaign management system which connects with the advertising platforms of online publishers programmatically through API; (ii) our internal content management and distribution system which enables algorithm-based screening and management of our content and delivers such content which passes our manual review to visitors of our *Huabian* Platform; and (iii) our proprietary DMP which collects and stores raw data and supports our advertising campaign management system and content management and distribution system through big data analytics and AI technologies. Please see “— Our Technology” for more details.

The following diagram illustrates our information technology infrastructure:



Key features of our information technology infrastructure are set out below:

- **Reliability and stability.** We have multiple layers of redundancy to ensure the reliability of our information technology infrastructure. Our internal network is configured with multiple layers of security to isolate our database from unauthorized access and we use sophisticated security protocols for internal and external communication and transmission of encrypted data. We also utilize firewalls to prevent unauthorized access to our systems. In addition, we maintain an automatic monitoring system which is able to monitor key indicators in our business operations and information technology infrastructure and triggers an alert when any indicator exceeds its safe threshold, allowing us to quickly respond to unexpected incidents.

BUSINESS

- **Data security.** We adopt several methods for data backup, including MySQL and incremental backup, and local backup and cloud backup, to ensure the security of our data and avoid data loss.
- **Scalability.** We use microservice technology to build the cloud-based architecture of our platform, which enables us to operate each part of our business by independent, auto-scaling and standardized service modules and react quickly to new business needs by adding new service modules. We can also fine-tune each service module and integrate common functions into separate modules to keep our architecture concise, which enhances the efficiency and flexibility of our systems and reduces our maintenance costs.
- **High performance.** To accommodate our advertising customers, media partners and visitors to our *Huabian* Platform with ultra-fast user experience, we utilize advanced technologies, such as Client-cache, cloud computing and virtualization, to optimize the response time of our systems, and combine BGP network and CDN to achieve high speed. Our information technology infrastructure is able to handle at least 1,400 requests per second with an average response time of approximately 50 milliseconds. In addition, our *Huabian* Platform supports 13,750 visitors at one time and our content is loaded and displayed within one second.

OUR TECHNOLOGY

Data Sources

The data we collect is device-specific and we distinguish internet devices by device IDs. We generally do not collect or store personal data that can identify a real person, such as legal name, phone number and personal ID. The specific types of data that we collect primarily include the following:

- **Our online marketing solutions.** We receive a wide variety of raw data on a real-time basis from the online publishers through API connection, which include (i) device ID and its IP; (ii) ad performance data, such as impressions, video views, click-throughs, conversion rates and cost per conversion; (iii) specific information about the device such as network status, network operator, operating system and device model; and (iv) the device's browsing behaviors on the respective online publishers' platform. We also collect additional data that are voluntarily provided by advertisers, including post-ad interaction events such as account registration/activation and placement of order, which are not readily available through analysis of raw data provided by online publishers.
- **Our pan-entertainment content services.** Through our *Huabian* Platform, we have accumulated a vast library of data assets that include behavioral data and specific device data of the visitors.

To a much lesser extent, we collect and store limited personal data, such as email address and mobile phone number, from self-media accounts registered on our *Huabian* Platform. Registered self-media accounts must acknowledge our terms of service and data privacy policy, under which they consent to our collection, storage and use of their personal data in compliance with applicable laws and regulations in the PRC. Our PRC Legal Advisors are of the opinion that we are in compliance with all applicable PRC laws and regulations in all material aspects relating to cyber and data security, including major data security and protection requirements in the *Consultation Draft of the New Measures for Data Security Management* (《數據安全管理辦法(徵求意見稿)》) published by the Cyberspace Administration of China. See “Regulatory Environment — Regulations related to Information Security and Confidentiality of User Information.”

Our Big Data Analytics and AI Capabilities

Our massive data assets are the backbone of our business. Our proprietary DMP collected and analyzed data from approximately 92 million unique internet devices per day for the six months ended June 30, 2020. We are in an advanced stage in processing the data we collect to activate our machine learning algorithms to cleanse raw data into more valid, meaningful and structured data. The primary applications of our big data analytics and AI capabilities are as follows:

- ***Profiling analysis and precise audience targeting.*** Through analysis of our data assets, our AI algorithms apply tags to each internet device to which we have access, and can currently apply over 153,000 tags across approximately 961 categories. These tags allow us to generate a fairly accurate profile of the user of such device, including basic demographics such as age and gender, geographic location as well as personal interest and preference. Our system continuously updates and refines user profiles on a real time basis. We help advertisers precisely target and reach the types of audiences best suited in the advertising campaigns through our wide range of profile tags.
- ***Real-time monitoring and optimization of campaign performance.*** Through AI algorithms and machine learning applications, we are able to monitor and analyze ad performance data, such as impressions and click-throughs, on a real-time basis, based on which we continuously optimize campaign performance by adjusting budget allocation on target audience groups or adjusting the scope of target audience groups.
- ***Content screening.*** We apply algorithms to screen texts and images. Our internal content management and distribution system screens texts based on pre-set keywords, and utilize AI to identify illegal or inappropriate images through deep learning. The screening system automatically declines content that did not meet our standards and flags suspicious content for subsequent manual review.

RESEARCH AND DEVELOPMENT

As of June 30, 2020, we had a research and development team consisting of 27 full-time employees with an average of approximately six years of industry related experience, most of whom have prior experience at leading internet and technology companies. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our total research and development expenses amounted RMB5.5 million, RMB6.9 million, RMB9.9 million and RMB4.4 million, respectively, accounting for approximately 2.3%, 0.6%, 0.4% and 0.5% of our total revenue, respectively, for the same periods.

We are committed to continually enhancing and innovating our information technology infrastructure and technologies in accordance with our annual development plan and based on our assessment of market demand. Our current research and development initiatives include the upgrading of our internal advertising campaign management system and internal content management and distribution system. In particular:

- The upgraded advertising campaign management system is expected to be able to initiate cross-media advertising campaigns for advertisers by programmatically connecting with multiple online publishers' advertising platforms through API simultaneously. In addition, the upgraded system is expected to be able to automatically generate customized ad performance data packages, allowing us and our advertising customers to monitor campaign performance more effectively and efficiently; and
- The upgraded content management and distribution system is designed to enable automatic content curation and recommendation for internet users. In particular, the upgraded system is expected to automatically curate and recommend content that is most likely of interest to each

BUSINESS

visitor of our *Huabian* Platform based on our profiling analysis. In addition, the upgraded system will programmatically connect with our content distribution partners' platforms through API or SDK, enabling us to collect behavioral and specific device data from their visitors based on which our system will automatically presents real-time customized content to such visitors. As new content is constantly uploaded to our *Huabian* Platform, our content recommendation algorithms are capable of aggregating and recommending new content in real time.

Our development process is continually driven by the evolving market, demands from our advertising customers and media partners, and innovation from our research and development team. We encourage our employees to maintain close communications with our customers to understand their needs, and provide our development teams with autonomy and freedom to explore new concepts in development. After completing the project initiation and development stage, we conduct internal tests to resolve any major technological issues and bugs that may exist in the test version. After launch, we continually monitor and analyze system performance and continue to optimize system functions and performance.

SEASONALITY

Our business is subject to seasonal fluctuations. The second half, especially the fourth quarter, of each calendar year generally contributes the largest proportion of our revenue as advertisers tend to allocate a significant portion of their online marketing budgets to the fourth quarter, which coincides with Chinese consumers' increased purchases around holidays and shopping events and increased new games launched by game developers in the fourth quarter. The first quarter of each calendar year generally contributes a smaller portion of our revenue, primarily due to a lower level of allocation of online marketing budgets at the beginning of the calendar year in which the Chinese New Year fall. We expect our revenue to continue to fluctuate based on the seasonal factor that affects the online marketing industry as a whole. Please see "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonal fluctuations which could have a material impact on our revenue, cash flow and operating results."

COMPETITION

The industry we operate in is fragmented and highly competitive and rapidly changing due to the constantly evolving market and technological developments. Our ability to compete successfully depends on many factors, including the quality of our content, the robustness of our infrastructure and technologies, the ability to acquire and retain advertising customers and media partners, and industry reputation.

We compete with other online marketing solutions providers for short video marketing solutions business. Our primary competitors include DSPs, PGC and MCN providers, 4A advertising companies, and advertising agencies. We were China's third largest online marketing solutions provider in terms of gross billing generated from both short video advertisements and performance-based advertisements placed on short video platforms in 2019 with a market share of 3.4% and 5.9%, respectively, according to iResearch. We believe we have differentiated ourselves from competitors primarily attributable to our content production capability, big data analytics and AI capabilities.

Please see "Industry Overview" for a more detailed discussion regarding the markets in which we operate.

BUSINESS

AWARDS AND RECOGNITIONS

The following table sets forth the recent major awards and achievements won by us:

Year	Award/Recognition	Award Issuing Authority	Entity Receiving Award
2017	Business Partners Award (合作夥伴獎)	Sogou	Netjoy Network
2017	Rapid Growth Prize (突飛猛進獎)	Toutiao	Letui Culture
2018	Effect UP Marketing Competition (效果營銷大賽)	Toutiao	Letui Culture
2018	Zhurong Value-added Operation Award (祝融增值運營獎)	Supplier A	Letui Culture
2018	Annual Author with Attitude (年度態度風雲作者)	Netease	Netjoy Network
2019	Creative Short Video Award for Internet-e-commerce (電商行業創意短視頻獎)	Supplier A	Letui Culture
2019	Best Application Platform (最佳平台應用獎)	Supplier A	Letui Culture
2019	Effect UP Marketing Competition - Internet-e-commerce (電商行業智慧應用獎)	Supplier A	Letui Culture
2019	Annual Excellent Ruban Spirit Award (年度優秀魯班精神獎)	Supplier A	Letui Culture
2019	Runner up and Third Place for Commercial Short Video Marketing Competition (商業化短視頻行銷案例大賽銀獎、銅獎)	Kuaishou	Letui Culture
2019	Best Business Partner (最佳合作夥伴)	UC Browser	Letui Culture
2019	Outstanding Contribution Award for Performance-based Advertising (效果廣告突出貢獻獎)	Xiaohongshu	Letui Culture
2019	Best Annual Self-media for Short Video (年度最佳短視頻自媒體)	Netease	Netjoy Network

INTELLECTUAL PROPERTY

Intellectual property is important to our success and competitiveness. We rely on a combination of trademarks, domain names as well as employee and third-party confidentiality agreements to protect our intellectual property. As of the Latest Practicable Date, we had (i) 36 trademarks registered in the PRC and two trademarks registered in Hong Kong; (ii) six pending trademark applications in the PRC; (iii) 54 registered software copyrights; and (iv) 25 registered domain names, which were material to our

BUSINESS

business. Details of our material intellectual property rights are set forth under the section headed “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group.”

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in or threatened with any claim for any material infringement of any intellectual property rights, whether as a claimant or as a defendant.

EMPLOYEES

As of June 30, 2020, we had 290 full-time employees, including 199 in Shanghai, 51 in Beijing, seven in Guangzhou, 28 in Xi’an, and five in Xinjiang. The following table shows a breakdown of our employees by function as of that date:

Functions	Number of Employees				% of Total Employees as of June 30, 2020
	As of December 31,			As of June 30,	
	2017	2018	2019	2020	
Management	5	5	6	7	2.4
Operations	22	40	73	81	27.9
Content production	12	23	71	86	29.7
Sales and marketing	10	32	57	57	19.7
Research and development	25	26	27	27	9.3
Finance and administrative	9	19	31	32	11.0
Total	83	145	265	290	100.0

We believe we have maintained good relationships with our employees. Our employees are not represented by a labor union. As of the Latest Practicable Date, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and bonus. We also provide both in-house and external trainings for our employees to improve their skills and knowledge.

We contribute to social security insurance and housing provident funds for our employees in accordance with applicable PRC laws, rules and regulations in all material aspects.

INSURANCE

We do not, and are not required by PRC laws to, maintain any business interruption insurance, key man life insurance, any insurance for our information technology infrastructure and systems or any insurance for our leased properties. We also do not maintain insurance against risks relating to the Contractual Arrangements. Please see “Risk Factors — Risks Relating to Our Business and Industry — Our limited insurance coverage could expose us to significant costs and business disruption.”

Our Directors believe that our insurance coverage is sufficient and adequate and in line with the industry norm. We periodically review and will make necessary and appropriate adjustments to our insurance coverage.

BUSINESS

PROPERTIES

As of the Latest Practicable Date, we did not own any property. As of the Latest Practicable Date, we leased and occupied 17 properties in Shanghai, Guangzhou, Xi'an, Horgos, and Beijing with an aggregate gross floor area of approximately 5,543 sq.m. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are used as office premises.

Our leased properties are leased from Independent Third Parties, with lease expiry dates ranging from January 29, 2021 to June 30, 2034. Title certificates of 15 leased buildings have been duly obtained by the landlords. With respect to the remaining two leased properties in Horgos and Xi'an with a gross floor area of approximately 564 sq.m., or 10.2% of our total leased properties, as of the Latest Practicable Date, the landlords failed to provide the relevant building ownership certificates or construction project planning permit, as a result of which, there may be risks that these two leases may be held invalid, and therefore we may not be able to continue to occupy and use such properties. Our Directors believe that our use of these two properties will not individually or collectively have a material adverse effect on our business, financial condition or results of operations. Even if we are required to vacate from these properties, we believe we will be able to readily find comparable properties to relocate and the costs and expenses we may incur for relocation will be immaterial. As of the Latest Practicable Date, we were not aware of any ownership controversy or dispute or third party claims, nor had we been imposed any administrative penalties.

In addition, all the lease agreements of these 17 leased properties have not been registered with the relevant competent authorities. As advised by our PRC Legal Advisors, apart from the two leased properties without building ownership certificates or the construction project planning permits, the 15 leases remain valid and legally binding and enforceable under the applicable PRC laws and regulations, despite such leases not having been registered with the relevant competent authorities, according to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes over Lease Contracts on Urban Buildings (最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋). A maximum penalty of RMB10,000 may be imposed for non-registration of each lease, and the estimated total maximum penalty would be RMB170,000, as advised by our PRC Legal Advisors.

According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, because as of June 30, 2020, we had no single property interest with a carrying amount of 15% or more of our total assets.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Due to the nature of our business, we do not generate any hazards or pollutants during the course of our operations. During the Track Record Period, we did not incur any expenses in relation to the compliance with the applicable environmental laws and regulations.

We are committed to providing a safe and healthy working environment for our employees. During the Track Record Period, we did not experience any material accidents in the course of our operations, nor were we subject to any material claims for personal or property damages or for health or safety related compensation.

BUSINESS

LICENSES AND PERMITS

As advised by our PRC Legal Advisors, we had obtained all material licenses, permits and approvals required for our operations and such licenses, permits and approvals were valid and remained in effect as of the Latest Practicable Date. The following table sets forth the major licenses and permits relating to our business and operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

<u>License/Permit/Certificate</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Expiration Date</u>
Radio and Television Programs Production and Operation Permit (廣播電視節目製作經營許可證) ...	Netjoy Network	Shanghai Municipal Administration of Radio and Television	03/31/2021
Value-added Telecommunications Business Operations License (增值電信業務經營許可證)	Netjoy Network	Shanghai Communications Administration	01/03/2021

We monitor the validity status of our licenses and permits, and make timely applications for the renewal of relevant licenses and permits prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses and permits for our business operations during the Track Record Period and up to the Latest Practicable Date. Our PRC Legal Advisors are of the view that, there is no material legal impediment in renewing these licenses and permits as they expire in future as long as we are in compliance with applicable laws, regulations and rules and submit all the necessary application documents to the relevant regulatory authorities. However, we cannot assure you that we will be able to obtain or renew such licenses or permits in the future. See “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to complex and evolving laws and regulations. Many of these laws and regulations are relatively new and subject to changes and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.”

LEGAL PROCEEDINGS AND COMPLIANCE

We may be involved in legal or other disputes in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending litigation, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation. Our Directors are not involved in any actual or threatened material claims or litigation.

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. Please see “Regulatory Environment.” As advised by our PRC Legal Advisors, we complied with the laws and regulations of the PRC applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. In particular, we have adopted and implemented risk management policies in various aspects of our business operations such as financial reporting, information system, regulatory compliance and human resources.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures in place to implement these accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular trainings to our finance department staff to ensure that they understand our accounting policies.

As of June 30, 2020, our finance department consisted of nine employees. It is headed by our financial director, who has more than 10 years of experience in financial reporting.

Information System Risk Management

We have implemented various measures to ensure our compliance with the relevant laws and regulations on data privacy and security in the PRC. We have designated personnel responsible for data protection and monitoring the operation of our information technology infrastructure, who has over 20 years of experience in information technology industry.

Our data assets are encrypted and stored on our firewall-protected cloud-based servers in Shanghai and Zhejiang Province and we back-up our data assets on a daily basis. We conduct data restore tests to examine the status of the backup system on a regular basis. We strictly restrict the range of data each employee is authorized to access based on his/her seniority and function. We keep detailed records of access log, which are subject to our regular auditing. We provide trainings on data protection to our employees from time to time and have entered into confidential agreements with our employees to prevent improper use or disclosure of data.

In addition to data security, we have several information system risk management measures in place to ensure the reliability and security of our information system. Firstly, we require our employees to update their power-on password every two months which shall contain at least a total of eight numbers, characters and special symbols to prevent code breaking. We also require responsible employees to encrypt confidential data and documents during their respective daily operations, and heads of each department are responsible for managing the passwords of such encrypted data and documents. We designate specific employees to examine and update such passwords every quarter. Secondly, we conduct regular health check of our software to protect them from computer viruses. We utilize anti-virus software built-in our operating system that delivers comprehensive, ongoing and real-time protection, to protect our information system from software threats, such as computer viruses, malware and spyware. Lastly, for details regarding our data protection and measures to safeguard against system hacking, please see “— Our Information Technology Infrastructure.”

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of data, nor did we experience any material infringement and/or unauthorized use of our copyrighted software intellectual properties.

Regulatory Compliance Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal and compliance department performs the basic function of reviewing and updating the form of contracts we enter into with our suppliers and customers. Our legal and compliance department also works with our external legal counsel to ensure that we have obtained and maintained all the necessary permits and licenses required for our operations. We continually improve our internal policies according to changes in laws, regulations and industry standards to ensure ongoing compliance.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained in the employee handbook.

Credit Risk Management

Our credit risk is primarily attributable to trade receivables, financial assets included in prepayments, other receivables and other assets, and cash deposits at banks. We manage credit risks primarily through the following measures:

- we have established risk management committee, consisting of chief executive officer, financial controller, vice president at sales and marketing department, and risk management director, primarily responsible for designing risk management structure and strategies, reviewing and monitoring the implementation of risk management policies, identifying risks, approving trading limit and credit limit, and updating our risk management policies in response to changes;
- we have implemented “know-your-customer” procedures and credit check to ascertain the background of our potential customers;
- we perform credit assessment on potential customers, and require them to prepay for our services before reaching certain threshold to minimize our credit risk exposure;
- we closely monitor the level of our trade receivables and other financial assets and take appropriate action to recover or minimize our loss where we foresee that our customer may default in its obligation;
- we have credit policy with respect to the transaction limit and credit period granted to our customers, which are subject to our on-going review and revision; and
- we use a provision matrix to calculate the expected credit losses in respect of our trade receivables and other financial assets to assess our exposure to credit risks.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three Directors, namely Mr. Chen Changhua, Dr. Ru Liyun and Mr. Dai. Mr. Chen Changhua and Dr. Ru Liyun are independent non-executive Directors and Mr. Dai is a non-executive Director. Mr. Chen Changhua is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, please see “Directors and Senior Management — Board of Directors.”

Our finance department is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Members of finance department hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The finance department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board if necessary.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, finance department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

CONTRACTUAL ARRANGEMENTS

OVERVIEW

Foreign investment activities in the PRC are mainly governed by the Catalog and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (the “**Negative List**”, together with the Catalog, the “**Relevant PRC Regulations**”), promulgated and amended from time to time jointly by the MOFCOM and the NDRC. Pursuant to the Relevant PRC Regulations, foreign investments in certain industries are subject to restriction or prohibition.

Below table sets out a summary of our businesses and the corresponding business sectors which are subject to foreign investment restriction or prohibition carried out by our PRC operating company under the Relevant PRC Regulations as confirmed by our PRC Legal Advisors.

<u>Operating company of our Group</u>	<u>Description of business</u>	<u>Business sector under the Relevant PRC Regulations</u>	<u>Category under the Relevant PRC Regulations</u>
Netjoy Network	Operating a pan entertainment-oriented content platform ⁽¹⁾	Value-added telecommunications services	Restricted
	Planning and production of short video ⁽¹⁾	Radio and TV programs production and operation services	Prohibited

Note:

(1) These businesses carried out by Netjoy Network are collectively referred to herein as the “**Relevant Businesses**.”

We also have minority interest in three companies through Netjoy Network, namely Shanghai Buwei, Horgos Buwei Culture Media Co., Ltd. (霍爾果斯不維文化傳媒有限公司) (“**Horgos Buwei**”) (the wholly-owned subsidiary of Shanghai Buwei), and Yunlin (Tianjin) Culture Media Co., Ltd. (韻林(天津)文化傳媒有限公司) (“**Yunlin Culture**”, together with Shanghai Buwei and Horgos Buwei, the “**Relevant Entities**”). Our PRC Legal Advisors are of the view that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition under the Relevant PRC Regulations. The table below sets out our Group’s equity interest in the Relevant Entities and their businesses and categories:

<u>Name of entities</u>	<u>Equity interest held by our Group</u>	<u>Description of business</u>	<u>Business sector under the Relevant PRC Regulations</u>	<u>Category under the Relevant PRC Regulations</u>
Shanghai Buwei	20% equity interests held by Netjoy Network	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited
Horgos Buwei	20% equity interest held by Netjoy Network through Shanghai Buwei	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited

CONTRACTUAL ARRANGEMENTS

Name of entities	Equity interest held by our Group	Description of business	Business sector under the Relevant PRC Regulations	Category under the Relevant PRC Regulations
Yunlin Culture	30% equity interests held by Netjoy Network	Production and distribution of internet videos for internet content marketing	Radio and TV programs production and operation services	Prohibited

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our business operations, we commenced a series of reorganization activities. As illustrated above, since foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations, after consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold Netjoy Network directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over Netjoy Network through the Contractual Arrangements.

Furthermore, as illustrated above, given the fact that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition under the current PRC laws and regulations, after consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold the minority interest in the Relevant Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment prohibition, we would hold the minority interest in the Relevant Entities through Netjoy Network under the Contractual Arrangements.

During the Reorganization, we, through Yunxiang Information, entered into the Contractual Arrangements with the Registered Shareholders and the Consolidated Affiliated Entity on March 30, 2020, pursuant to which, Yunxiang Information has acquired effective control over the financial and operational policies of Netjoy Network and has become entitled to all the economic benefits derived from its operations.

We are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

1. Netjoy Network and the Relevant Entities engage in the production of short videos and internet videos business, which are categorized as radio and TV programs production and operation services under the Relevant PRC Regulations as confirmed by our PRC Legal Advisors. Pursuant to the Relevant PRC Regulations and other applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in any enterprise conducting radio and TV programs production and operation services. Such prohibition was confirmed during a consultation with Shanghai Municipal Administration of Radio and Television⁽¹⁾ (上海市廣播電視局) (“SMART”) attended by the respective representatives of the Company, our PRC Legal Advisors and the Sole Sponsor’s PRC legal advisors on August 27, 2019.

Our PRC Legal Advisors are of the view that (i) SMART is the competent authority and the officer who attended the consultation was a competent person to provide the foregoing

Notes:

(1) According to the official website of Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局) (“SMACT”), SMACT is in charge of culture, tourism, radio and television and culture heritage administration work of Shanghai, and SMACT is a comprehensive administration authority which comprises SMART and Shanghai Municipal Administration of Culture Heritage (上海市文物局).

CONTRACTUAL ARRANGEMENTS

confirmation; and (ii) based on the above-mentioned confirmation, to maintain the business operation of Netjoy Network and to hold the minority interest in the Relevant Entities in compliance with applicable PRC laws and regulations and local governmental authorities' requirements, Netjoy Network and the minority interest in the Relevant Entities must be held by our Company through the Contractual Arrangements;

2. Netjoy Network also operates a pan entertainment-oriented content platform, namely *Huabian* Platform. According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) and the Administrative Measures for Telecommunications Business Operating Licensing (電信業務經營許可管理辦法), a commercial operator of internet content provision services must obtain an ICP License from the appropriate telecommunications authorities for the provision of internet information services. Based on the above, our PRC Legal Advisors confirmed that Netjoy Network must obtain and continue to hold the ICP License in order for it to carry out its commercial internet content provision services, namely the operation of *Huabian* Platform, in compliance with applicable PRC laws and regulations. Netjoy Network currently holds an ICP License issued by Shanghai Communications Administration (上海市通信管理局) ("SCA") as required by the relevant PRC laws and regulations.

In addition, as advised by our PRC Legal Advisors, the operation of *Huabian* Platform falls within the scope of "value-added telecommunication services" under the Telecommunications Regulations of the People's Republic of China (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**") and the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), promulgated by the State Council on September 25, 2000 and December 11, 2001, respectively. Pursuant to the Relevant PRC Regulations and other applicable PRC laws and regulations, domestic telecommunication enterprises are prohibited from leasing, transferring or selling their licenses to foreign investors in any form, and foreign investors are not allowed to hold more than 50% of the equity interest in an enterprise conducting "value-added telecommunications services" business. Furthermore, pursuant to the FITE Regulations and the 2019 MIIT Guidance (as defined below), foreign investors shall satisfy the Qualification Requirements (as defined below) in order for a sino-foreign equity joint venture to apply for operation of internet information services.

During an interview with SCA conducted by our Company, our PRC Legal Advisors and the Sole Sponsor's PRC legal advisors on June 5, 2020, the SCA confirmed that: (i) for a domestic company which currently holds an ICP License, a foreign investor shall not be allowed to be its shareholder in order for it to maintain its ICP License; (ii) for a Sino-foreign equity joint venture which intends to apply for an ICP License, the foreign investor of such joint venture is required to satisfy the Qualification Requirements (as defined below); and (iii) the application for the ICP License by a Sino-foreign equity joint venture set up by our Company will not be approved. During a consultation with the SCA conducted by our PRC Legal Advisors on June 10, 2020, the SCA confirmed that: (i) foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business pursuant to the relevant PRC laws and regulations; and (ii) there is no set criteria for the Qualification Requirements.

Our PRC Legal Advisors are of the view that our Company and offshore subsidiaries cannot acquire any equity interest in Netjoy Network in order for it to maintain its current ICP License, and are currently unable to establish a Sino-foreign equity joint venture to obtain the ICP License. Therefore, Netjoy Network must be held by our Company through the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among Yunxiang Information, the Registered Shareholders and the Consolidated Affiliated Entity; (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below) with Yunxiang Information, which is one of our subsidiaries established in the PRC, our Consolidated Affiliated Entity will enjoy better economic and technical support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

We will unwind and terminate the Contractual Arrangements wholly or partially in respect of the operation of our Relevant Businesses to the extent permissible and directly hold the maximum percentage of ownership interests permissible by the relevant PRC laws and regulations if our Relevant Businesses are no longer prohibited or restricted from foreign investment or the relevant government authorities grant the ICP License and/or other requisite permit for our Relevant Businesses to a sino-foreign equity joint venture or wholly-owned foreign investment entity established by our Company.

For further details of the licensing and approval requirements applicable to the Relevant Businesses under PRC laws and regulations, see “Regulatory Environment — Regulations Related to Value-added Telecommunication Services.”

QUALIFICATION REQUIREMENTS

On December 11, 2001, the State Council promulgated the FITE Regulations, which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. On August 1, 2019, the Ministry of Industry and Information Technology (the “MIIT”) issued guidance on the application requirements for establishing foreign-invested value-added telecommunications enterprises in the PRC (the “**2019 MIIT Guidance**”). Pursuant to the FITE Regulations and the 2019 MIIT Guidance, a foreign investor who invests in value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas with good performance (the “**Qualification Requirements**”).

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, (i) the 2019 MIIT Guidance has no legal or regulatory effect under the PRC laws and regulations; and (ii) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements. Despite that, we have adopted a specific plan and begun to take concrete steps to build up our track record of overseas telecommunications business operations for the purposes of satisfying the Qualification Requirements:

- we have already incorporated a subsidiary in Hong Kong, namely Netjoy HK, for the purpose of registering and holding offshore domain names, which can be readily served as an overseas platform when we expand our business outside the PRC;
- we have registered a trademark and applied for registration of a trademark outside the PRC on August 22, 2019, with an aim to apply such trademarks for the promotion of our business in Hong Kong and overseas; and
- we plan to set up an overseas website to help overseas investors and website visitors to better understand our service and business.

During the consultation with the SCA, the local counterpart of MIIT, conducted by our PRC Legal Advisors on June 10, 2020, the SCA confirmed that there is no set criteria for the Qualification Requirements and that steps such as those taken by us above may be considered to be appropriate to prove

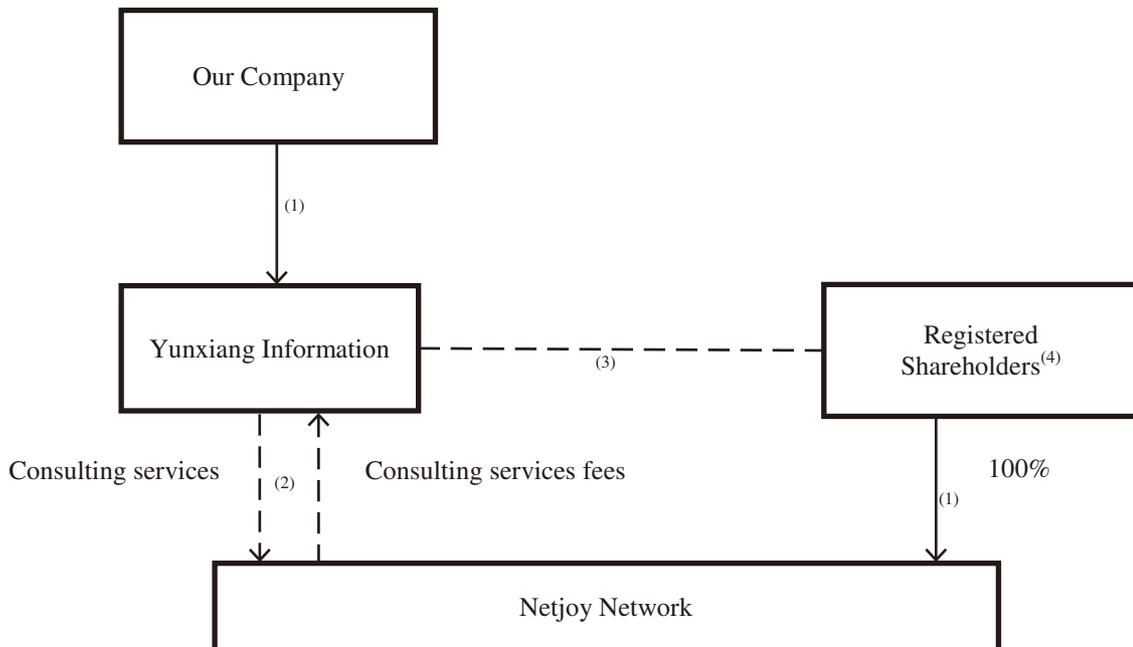
CONTRACTUAL ARRANGEMENTS

that the Qualification Requirements are fulfilled, subject to a substantive examination by the SCA in accordance with the approval procedures under the PRC laws and regulations. Accordingly, subject to the discretion of the competent PRC governmental authorities in determining whether our Group has fulfilled the Qualification Requirements, our PRC Legal Advisors are of the view that the above steps taken by us are reasonable, appropriate and sufficient in relation to the Qualification Requirements, which may be deemed by the competent PRC governmental authorities to satisfy the Qualification Requirements as we will have experience in providing value-added telecommunications services in overseas markets, which is in accordance with the FITE Regulations and 2019 MIIT Guidance.

We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient enough to meet the Qualification Requirements.

CONTRACTUAL ARRANGEMENTS

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



Notes:

- (1) “—>” denotes direct legal and beneficial ownership in the equity interests.
- (2) “- ->” denotes contractual relationship through the Contractual Arrangements.
- (3) “- -” denotes the control by Yunxiang Information over the Registered Shareholders and our Consolidated Affiliated Entity through (i) powers of attorney to exercise all shareholders’ rights in Netjoy Network, (ii) exclusive options to acquire all or part of the equity interests in Netjoy Network and (iii) equity pledges over the equity interests in Netjoy Network.
- (4) As of the Latest Practicable Date, Netjoy Network was held as to 100% by the following Registered Shareholders:

CONTRACTUAL ARRANGEMENTS

Shareholder(s)	Attributable registered capital	Approximate percentage of shareholding
	(RMB)	
Mr. Wang	10,156,872	18.97%
Mr. Xu	8,581,778	16.03%
Kijiji	6,956,880	13.00%
Mr. Dai	5,992,656	11.20%
Wutong Holding	5,368,203	10.03%
Guzon Asset	5,143,560	9.61%
Jingheng Jianyong	3,612,000	6.75%
Mr. Qin	2,818,158	5.26%
Mr. Ru	2,140,096	4.00%
Aofa Management	1,372,000	2.56%
Qipu Xinzhe	700,000	1.31%
Wideview Asset	686,000	1.28%
Total	53,528,203	100.00%

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

Exclusive Business Cooperation Agreement

Yunxiang Information and Netjoy Network entered into an exclusive business cooperation agreement on March 30, 2020 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which, in exchange for a service fee, Yunxiang Information agreed to provide Netjoy Network with technical support, consultation and other services, including but not limited to:

- the use of any relevant intellectual property rights and software legally owned by the Yunxiang Information;
- development, maintenance and updating of software in respect of the Netjoy Network’s business;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- providing technical support and staff training services to relevant employees of Netjoy Network;
- providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the PRC laws);
- providing corporate management consultation;
- providing corporate strategy and development consultation;
- providing financial consultation and management services;
- providing business operation related information consultation;
- providing marketing and promotional services;
- providing customer order management and customer services;
- transfer, leasing and disposal of equipment or properties; and
- other relevant services requested by Netjoy Network from time to time to the extent permitted under the PRC laws.

CONTRACTUAL ARRANGEMENTS

The service fee under the Exclusive Business Cooperation Agreement shall consist of 100% of the total consolidated profits of Netjoy Network under IFRSs, after offset by any accumulated deficit in respect of the preceding financial year(s) (if any) and deducting relevant operating costs, expenses, taxes, statutory surplus reserves legally to be withdrawn and other statutory contributions. Notwithstanding the foregoing, Yunxiang Information may adjust the scope and amount of services fees according to PRC tax law and tax practices and with reference to the need of the working capital of Netjoy Network, and Netjoy Network will accept such adjustments.

Netjoy Network shall entrust the above services to Yunxiang Information on an exclusive basis, which means that not only does Netjoy Network agree to accept the above services provided by Yunxiang Information, it also agrees that, during the term of the Exclusive Business Cooperation Agreement, without prior written consent of Yunxiang Information, Netjoy Network shall not (1) enter into with any third party any agreement that is identical or similar to the Exclusive Business Cooperation Agreement; (2) directly or indirectly accept services provided by any third party, that are identical or similar to the services contemplated in the Exclusive Business Cooperation Agreement; or (3) establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement, so as to wholly or partially invalidate the rights and obligations of Yunxiang Information to provide services to Netjoy Network in accordance with the terms of the Exclusive Business Cooperation Agreement. Yunxiang Information may appoint other parties, who may enter into certain agreements with Netjoy Network, to provide Netjoy Network with the consultations and/or services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that the Yunxiang Information shall have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Netjoy Network and its subsidiaries (if any) during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall be effective upon the execution, and shall remain irrevocable ever after, until (i) both parties to the Exclusive Business Cooperation Agreement terminate the Exclusive Business Cooperation Agreement in writing; (ii) all the equity interests of Netjoy Network have been legally and effectively transferred to Yunxiang Information and/or its designee(s); (iii) once Yunxiang Information is allowed to directly hold the equity interests of Netjoy Network in accordance with applicable PRC laws and Yunxiang Information and/or its subsidiaries or branches are enable to legally engage in the businesses of Netjoy Network, at the time when Yunxiang Information is duly registered as the sole shareholder of Netjoy Network; (iv) the event of the bankruptcy, liquidation, termination, or dissolution of Netjoy Network occurs during the term of the Exclusive Business Cooperation Agreement, at the date of such bankruptcy, liquidation, termination, or dissolution occurs; or (v) Netjoy Network materially violates the provision of the Exclusive Business Cooperation Agreement. Notwithstanding the above, Yunxiang Information has the right to terminate the Exclusive Business Cooperation Agreement at any time by issuing a 30 days' notice in writing, and Yunxiang Information shall not be liable for any defaults for unilaterally terminating the Exclusive Business Cooperation Agreement. Netjoy Network, however, shall have no right to unilaterally terminate the Exclusive Business Cooperation Agreement.

Exclusive Option Agreement

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into an exclusive option agreement on March 30, 2020 (the “**Exclusive Option Agreement**”), pursuant to which Yunxiang Information (or its designee(s)) was granted an irrevocable and exclusive right (the “**Exclusive Option Rights**”) to purchase from the Registered Shareholders all or any part of their equity interests in Netjoy Network, at any time and from time to time, at the amount of the registered capital of Netjoy Network

CONTRACTUAL ARRANGEMENTS

multiply by the proportion of the purchased equity interests in the total equity interests of Netjoy Network or a lowest price legally permissible under the applicable laws of PRC, in which case the purchase price shall be the lowest amount under such request. Upon receiving all the duly executed share transfer documents and approvals and after deducting necessary tax expenses, Yunxiang Information or its designee(s) shall pay the purchase price within 10 business days to the designated bank accounts of the Registered Shareholders. Subject to relevant PRC laws and regulations, the Registered Shareholders shall return any amount of the purchase price within 10 business days after they have received relevant remedies from Yunxiang Information or its designee(s). Upon receiving the notice issued by Yunxiang Information (or its designee(s)) to exercise their Exclusive Option Rights (the “**Notice**”), the Registered Shareholders and Netjoy Network, within 30 days, shall execute all other contracts, agreements or documents with relevant parties, and shall take all necessary actions to engage in, complete, or obtain the approval, filing, registration procedures and consent with regulatory authorities without any delay, so that the relevant equity interests in Netjoy Network as set out in the Notice, without any security interest attached to them, can be effectively transferred to and registered under the name of Yunxiang Information (or its designee(s)).

Netjoy Network and the Registered Shareholders (as shareholders of Netjoy Network within the authority of shareholders), separately and jointly, irrevocably covenant and warrant, among other things, that:

- without the prior written consent of Yunxiang Information, Netjoy Network shall not assist, allow the Registered Shareholders, or procure the management of Netjoy Network to sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over the legitimate interests or beneficial interests of any assets, business, or incomes of Netjoy Network at any time since the date of the Exclusive Option Agreement, except for the encumbrance set on the equity interests of Netjoy Network in accordance with the Equity Pledge Agreement and the Powers of Attorney;
- they shall not supplement, change, or amend the business scope and the articles of association of Netjoy Network, or increase or reduce the registered capital of Netjoy Network, or otherwise change the structure of the registered capital of Netjoy Network, without prior written consent of Yunxiang Information;
- they shall maintain the good standing of Netjoy Network, operate its business and handle its affairs prudently and effectively, and obtain and maintain all necessary government permits and licenses, in accordance with good financial and commercial standards and practices, and shall not cause the liquidation, close of business, termination or dissolution of Netjoy Network;
- without the prior written consent of Yunxiang Information, they shall not, and shall procure the subsidiaries of Netjoy Network not, at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any material assets of Netjoy Network or legal or beneficial interest in the business or revenues of Netjoy Network of more than RMB1,000,000, or allow the encumbrance thereon of any security interest;
- Netjoy Network shall not or shall not be allowed to incur, inherit, guarantee or assume any debt, unless (i) the debts incurred in the normal or ordinary course of business other than payables incurred by a loan; or (ii) the debts have been disclosed to and consented in writing by Yunxiang Information;
- they shall operate Netjoy Network in the ordinary course of business so as to maintain Netjoy Network’s asset value, and shall not carry out any actions or omissions which may affect the operational situation or asset value of Netjoy Network. The board of directors of Yunxiang Information shall be empowered to oversee Netjoy Network’s assets and to evaluate whether

CONTRACTUAL ARRANGEMENTS

Yunxiang Information have control over Netjoy Network's assets. In the event that the board of directors of Yunxiang Information deems that its control over Netjoy Network's assets or the asset value of Netjoy Network has been affected by the operating activities of Netjoy Network, the board of directors of Yunxiang Information shall engage legal advisors or other professionals to handle such matters.

- except for contracts entered into in the normal course of business, they shall not cause Netjoy Network to enter into any material contracts with the amount exceeding RMB1,000,000 without prior written consent of Yunxiang Information, nor shall cause Netjoy Network to enter into any other contracts in conflict with any existing material contracts;
- without the prior written consent of Yunxiang Information, they shall not terminate or procure the management of Netjoy Network to terminate any of the Contractual Arrangements executed by Netjoy Network, or sign any agreements in conflict with the existing Contractual Arrangements;
- they shall not provide any loan or credit to any person, or provide any guarantee or warranty to any third party debt without prior written consent of Yunxiang Information;
- they shall, at the request of Yunxiang Information, provide, among others, all information on the labor, operation, compliance and financial conditions of Netjoy Network;
- they shall, if requested by Yunxiang Information, purchase and maintain insurance over the assets and business of Netjoy Network from an insurance carrier acceptable to Yunxiang Information, at an amount and type of coverage typical for companies carrying on similar businesses;
- without the prior written consent of Yunxiang Information, they shall not procure or consent to the spin-off of Netjoy Network, or the merger or the association with, or the investment into or acquire any entity by Netjoy Network;
- they shall immediately notify Yunxiang Information of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the assets, business and revenues of Netjoy Network, and take all necessary measures in accordance with the reasonable request of Yunxiang Information;
- they shall, for the purpose of safeguarding Netjoy Network of its ownership over its assets, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims;
- they shall not, without prior written consent of Yunxiang Information, in any manner, distribute dividends, distributable interests, and/or any other income arising from any assets or equity interests held by the Registered Shareholders, provided that upon the request of the Yunxiang Information, the Netjoy Network shall immediately distribute all distributable profits to the Registered Shareholders;
- at the request of the Yunxiang Information, they shall appoint, resign or replace any persons designated by Yunxiang Information as the directors, supervisors and/or senior management of Netjoy Network without any delay and shall complete all resolution and filing procedures. The Registered Shareholders cease to have the rights to nominate, resign, appointment or replace any directors of Netjoy Network;
- without the written consent of Yunxiang Information, they shall not engage in any business in competition with the Yunxiang Information or its affiliates;
- unless otherwise mandatorily required by the PRC laws, Netjoy Network shall not be dissolved or liquidated without prior written consent by the Yunxiang Information. In the event of a

CONTRACTUAL ARRANGEMENTS

dissolution or liquidation required mandatorily by the PRC laws, Yunxiang Information may, representing the Registered Shareholders, exercise all shareholders' rights of Netjoy Network. After the completion of the above dissolution or liquidation, the Registered Shareholders shall give the proceeds they received from the liquidation of Netjoy Network in accordance with laws, after deducting the amount of contributions actually paid, as a gift to Yunxiang Information to the extent permitted under the PRC laws;

- the Registered Shareholders shall transfer all equity interests of Netjoy Network to Yunxiang Information or its designee(s) at the request of Yunxiang Information to exercise Exclusive Option Rights, once the Relevant Businesses of Netjoy Network are permitted to be held or wholly owned by foreign investors under the PRC laws and the relevant government authorities in the PRC begin to approve such businesses;
- acknowledge, in the event that Netjoy Network and/or any of the Registered Shareholders fails to fulfill his/her/its tax obligations under applicable laws, leading to an impediment on the exercise of the Exclusive Option Rights by Yunxiang Information, Yunxiang Information has the right to request Netjoy Network and/or the Registered Shareholders to fulfill such tax obligation; and
- they shall procure the subsidiaries of Netjoy Network to separately and jointly, irrevocably covenant and warrant the same of those covenanted and warranted by Netjoy Network when applicable.

The Registered Shareholders, separately and jointly, irrevocably covenant and warrant that, they shall, among other things:

- without prior written consent of Yunxiang Information, at any time from the date of this Exclusive Option Agreement, not sell, transfer, gift, pledge, or otherwise dispose of, or allow any encumbrance to be placed on the legitimate or beneficial interest of any equity interests, assets, business, or incomes of Netjoy Network held by them, except the pledge set on the equity interests of Netjoy Network in accordance with the Equity Pledge Agreement and the Powers of Attorney;
- without prior written consent of Yunxiang Information, not procure the meetings of the shareholders or the board to approve to sell, transfer, gift, pledge, or otherwise dispose of the legitimate or beneficial interest of any equity interests, assets, business, or incomes of Netjoy Network or to allow any encumbrance (except the encumbrance made to Yunxiang Information or its designee(s) in accordance with the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney) to be placed on it;
- not conduct operating or any other activities that may adversely affected the reputation of Netjoy Network;
- take all measures to ensure the legality and effectiveness of all operating licenses of Netjoy Network and renew such licenses on time;
- not execute any documents or make relevant commitments in conflict with any ongoing legal documents executed by Netjoy Network. In the event of occurrence of such conflict, the Registered Shareholders shall take measures as soon as possible to eliminate such conflict with the prior consent of Yunxiang Information. Yunxiang Information may exercise the Exclusive Option Rights if the Registered Shareholders refuse to take such measures;
- without the written consent of Yunxiang Information, not consent to or not procure the meetings of the shareholders or the board of Netjoy Network to the spin-off of or the merger or the association with Netjoy Network, or the investment into or acquire any entity by Netjoy Network;

CONTRACTUAL ARRANGEMENTS

- immediately notify Yunxiang Information of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to equity interest of Netjoy Network, and take all necessary measures in accordance with the reasonable request of Yunxiang Information;
- cause the meetings of the shareholders or the board of Netjoy Network to vote on the approval of the transfer of equity interests in and any other action requested by Netjoy Network;
- for the purpose of safeguarding the ownership of the Registered Shareholders over the equity interests or assets of the Netjoy Network, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims;
- immediately appoint, resign or replace personnel designated by Yunxiang Information as directors, supervisors and senior management of Netjoy Network upon the request of Yunxiang Information, and shall complete all resolution and filing procedures. The Registered Shareholders cease to have the rights to nominate, resign, appointment or replace any directors of Netjoy Network;
- relinquish the pre-emptive right (if any) they are entitled to in relation to the transfer of equity interest by any other shareholders to Netjoy Network and give consent to the execution by each other shareholder of Netjoy Network with Yunxiang Information and Netjoy Network the exclusive option agreement, equity pledge agreement and powers of attorney similar to the Exclusive Option Agreement, Equity Pledge Agreement and Powers of Attorney, and accept not to take any action in conflict with such documents executed by the other shareholders (if any);
- without prior written consent of Yunxiang Information, not (i) distribute dividends or profits in other manner, arising from any equity interest held by the Registered Shareholders, (ii) propose any related matters to be resolved on shareholders' meeting; or (iii) vote in favor of any shareholder resolution on shareholders' meeting. Unless otherwise upon the decision of Yunxiang Information, the Registered Shareholders shall gift all profits, dividends, distributes, or liquidation incomes acquired from Netjoy Network to Yunxiang Information or its designee(s) to the extent permitted under the PRC laws; and
- strictly comply with the provision of the Exclusive Option Agreement and any other agreements entered into among Yunxiang Information, the Registered Shareholders and Netjoy Network, jointly or separately, guarantee the performance of the obligation under the above agreements, and not carry out any actions or omissions which may affect the effectiveness and enforceability of the above agreements. If the Registered Shareholders possess any remaining rights to the equity interests under the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, they shall not exercise such rights unless at the written instruction of Yunxiang Information.

The Exclusive Option Agreement shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in Netjoy Network have been transferred to Yunxiang Information or its designee(s).

Should Netjoy Network or the Registered Shareholders materially violate any provisions of the Exclusive Option Agreement, Yunxiang Information shall have the right to terminate the Exclusive Option Agreement and require Netjoy Network or the Registered Shareholders to compensate for the damages.

CONTRACTUAL ARRANGEMENTS

Equity Pledge Agreement

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into an equity pledge agreement on March 30, 2020 (the “**Equity Pledge Agreement**”), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Netjoy Network as the first sequence to guarantee the payment of the secured debts of, the performance of the obligations of, and the representations, undertakings, and warrants provided by, Netjoy Network and the Registered Shareholders under the Contractual Arrangements.

The pledge under the Equity Pledge Agreement shall take effect upon the completion of registration with the relevant administration for industry and commerce, which was completed as of May 27, 2020, and shall remain valid until the earlier of (1) after all the obligations of the Registered Shareholders and Netjoy Network under the Contractual Arrangements have been fully performed and all secured debts of the Registered Shareholders and Netjoy Network under the Contractual Arrangements have been fully paid, or (2) all the equity interests of Netjoy Network have been transferred to Yunxiang Information and/or its designee(s) in accordance with the Executive Option Agreement, to the extent permitted under the PRC laws, and Yunxiang Information and its designee(s) are able to engage in the business of Netjoy Network.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement) and after sending the notice of default, Yunxiang Information shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests of the Registered Shareholders. In addition, should any event of material default by Netjoy Network or the Registered Shareholders occur, Yunxiang Information shall have the right to terminate the Equity Pledge Agreement and/or require Netjoy Network or the Registered Shareholders to compensate for the damages.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations have been completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

Powers of Attorney

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into a powers of attorney on March 30, 2020 (the “**Powers of Attorney**”), pursuant to which the Registered Shareholders unconditionally and irrevocably appoint Yunxiang Information or its designee(s) (including but not limited to directors of Yunxiang Information and our Company and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) as their attorney-in-fact, to exercise on their behalf, pursuant to the instructions of Yunxiang Information, all the rights that they have as the shareholders of Netjoy Network as set out in the then-valid articles of association of Netjoy Network, including but not limited to:

- proposing to convene and attend the general meeting of shareholders;
- filing documents with the relevant company registry;
- exercising all shareholder’s rights, including but not limited to the distribution rights, sale, transfer, pledge or disposal of any or all of the equity interests in Netjoy Network, and exercising all shareholder’s voting rights on all matters that need to be discussed and resolved in the meetings of shareholders of Netjoy Network in accordance with laws and the constitutional documents of Netjoy Network;

CONTRACTUAL ARRANGEMENTS

- executing any meeting minutes and resolutions and ratifying the amendment of articles of association of Netjoy Network in the name and on behalf of the Registered Shareholders;
- designating, appointing, or resigning the legal representative, directors, supervisors, general manager, and other senior management of Netjoy Network as the authorized representative of the Registered Shareholders, and filing a lawsuit or other legal proceedings against the above persons if they take actions harmful to the benefits of Netjoy Network or the Registered Shareholders. Wutong Holding's right to nominate one director of the board of Netjoy Network granted by previous investment agreements is terminated hereby;
- resolving on the disposals of the assets (if any) of Netjoy Network;
- resolving on the dissolution and liquidation of Netjoy Network, and forming a liquidation group to legally exercise the rights of powers of the liquidation group during the liquidation period in accordance with the law, including but not limited to resolving on disposals of the assets (if any) of Netjoy Network;
- deciding to transfer or otherwise dispose of the equity interests of Netjoy Network held by the Registered Shareholders; and
- other shareholders' rights stipulated by applicable PRC laws and regulations (including the amendments, modifications, supplements, and re-enactments, whether entering into force before or after the execution of the Powers of Attorney) and the articles of association (as amended) of Netjoy Network.

The Registered Shareholders undertake that they will not revoke the appointment of Yunxiang Information and its designee(s) as their attorney-in-fact, and there are no potential conflicts of interests in relation to such appointment.

The Powers of Attorney shall be effective upon the completion of execution, and shall remain effective so long as each of the Registered Shareholders hold equity interests in Netjoy Network.

Spouse Undertakings

The spouse of each of the individual Registered Shareholders, where applicable, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) the equity interests (together with any other interests therein) of Netjoy Network held and to be held by each of the Registered Shareholders do not fall within the scope of communal properties, (ii) she unconditionally and irrevocably waives any rights or interests that may be granted to her under the applicable laws of any jurisdictions in respect of equity interests in Netjoy Network, and she undertakes not to claim such rights or interests, (iii) no authorization or consent of her is required when performance, modification or termination of the Contractual Arrangements or execution of other documents in place of any agreements under the Contractual Arrangements; (iv) she will execute all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements; (v) she will not, at any time, take any actions in conflict with the Spouse Undertakings and the Contractual Arrangements; and (vi) she will not take any actions to prevent the performances under the Contractual Arrangements in any circumstances, including but not limited to divorce of him or her with spouse.

The spouse of each of the Registered Shareholders, has also consented to the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement, the Powers of Attorney and Confirmation from the Registered Shareholders.

CONTRACTUAL ARRANGEMENTS

Confirmation from the Registered Shareholders

Each of the individual Registered Shareholders undertakes to Yunxiang Information that, in the event of death, incapacity, divorce, or other circumstances regarding the Registered Shareholders which may affect the exercise of his direct or indirect equity interests (together with any other interests therein) in Netjoy Network, the Registered Shareholder's respective spouse, successor, custodian, creditor, and any other person/entity which may as a result of the above events claim rights or other benefits on the equity interests (together with any other interests therein) in Netjoy Network directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Dispute Resolution

Each of the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commissions for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Shanghai. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration rulings shall be final and binding on all parties.

Each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interests or assets of Netjoy Network, including restriction of the conduct of business, restriction or prohibition of transfer of equity interests or asset, or order of the winding up of Netjoy Network; and (ii) subject to the permission of PRC laws and regulations, the competent courts of the establishment place of Netjoy Network (i.e. Shanghai, PRC), Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and other jurisdictions (being the places where the principal assets of Netjoy Network are located) can grant or enforce the arbitral awards and the interim remedies as property preservation or enforcement measures.

However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws and regulations. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Netjoy Network pursuant to the current PRC laws and regulations. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Netjoy Network or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entity and conduct our business could be materially and adversely affected. For further details, see "Risk Factors — Risks Relating to Our Contractual Arrangements."

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents, and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Yunxiang Information can enforce its rights against the successors.

Conflicts of Interests

The Registered Shareholders have undertaken in the Powers of Attorney that, during the period that the Contractual Arrangements remain effective,

CONTRACTUAL ARRANGEMENTS

- (a) they shall not execute any documents with or make any undertaking to any third party that may have conflicts of interests with any agreements entered into with Yunxiang Information, (b) they shall not commit or refrain from committing any act that may lead to any conflict of interests between the Registered Shareholders and Yunxiang Information (including its shareholders) and (c) in the event of the occurrence of a conflict of interests (where Yunxiang Information has the sole absolute discretion to determine whether such conflict arises), they shall take appropriate measures upon the instruction of Yunxiang Information and its designee(s) to eliminate such conflicts, failing which Yunxiang Information has the right to exercise the exclusive option rights under the Exclusive Option Agreement; and
- unless otherwise agreed by Yunxiang Information in writing, they will not directly or indirectly own or use information obtained from Yunxiang Information and Netjoy Network, and participate, engage in, involve in, own, hold any interest in or obtain benefits from the major business of or any business which is or may potentially be in competition with the businesses of Yunxiang Information, Netjoy Network or any of their affiliated companies.

The Powers of Attorney also provide that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of Yunxiang Information or our Company, the powers of attorney is granted in favor of other unrelated officers or directors of our Company.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or our wholly-owned PRC subsidiary, Yunxiang Information, is obligated to share the losses of Netjoy Network. Further, Netjoy Network is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under the relevant PRC laws and regulations, our Company or Yunxiang Information is not expressly required to share the losses of Netjoy Network or provide financial support to Netjoy Network. Yunxiang Information may, however, provide or assist our Consolidated Affiliated Entity in obtaining financial support at its sole discretion. Despite the foregoing, given that our Group conducts the Relevant Businesses in the PRC through our Consolidated Affiliated Entity which holds the requisite PRC licenses and approvals, and that results of operations and assets and liabilities of our Consolidated Affiliated Entity are consolidated into our Group's results of operations and assets and liabilities under the applicable accounting principles, our Company's business, financial condition, and results of operations would be adversely affected if our Consolidated Affiliated Entity suffered losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of liquidation, after deducting the amount of contributions actually paid, the Registered Shareholders shall give the proceeds they received from the liquidation of Netjoy Network in accordance with laws as a gift to Yunxiang Information to the extent permitted under PRC law.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. We have determined that the costs of insurance for the risks associated with the business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements. For further details, see "Risk Factors — Risks Relating to Our Contractual Arrangements."

CONTRACTUAL ARRANGEMENTS

Company's Confirmation

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

EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over Netjoy Network, is narrowly tailored to achieve our business purposes and to protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us, Netjoy Network and the Registered Shareholders on the following basis:

- (i) the arrangement under the Exclusive Business Cooperation Agreement will ensure that all economic benefits generated from the operations of Netjoy Network will flow to Yunxiang Information whilst ensuring compliance with applicable PRC laws and regulations and allowing Netjoy Network to continue to maintain and renew the relevant operating licenses and permits as required by relevant PRC government authorities and to operate such value-added telecommunication service and radio and TV programs production and operation service which are restricted or prohibited to be conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Group as a whole. The delineation of the assets and staffing between Yunxiang Information, which shall be responsible for driving key business decision-making process and provide overall business advice and consulting services, and Netjoy Network, which shall be responsible for the operations of the Relevant Businesses and the holding of relevant intellectual properties in compliance with relevant PRC laws and regulations and the conditions of the ICP License and Radio and TV Programs Production and Operation License granted to Netjoy Network, would allow a proper discharge of the respective responsibilities of Yunxiang Information and Netjoy Network under the Contractual Arrangements and also ensure sound and effective operation of our Company and our Relevant Businesses in compliance with the Contractual Arrangements and applicable laws and regulations;
- (ii) under the Exclusive Option Agreement, the Registered Shareholders has granted Yunxiang Information irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Netjoy Network, at any time and from time to time, for the amount of the registered capital of Netjoy Network multiply by the proportion of the purchased equity interests in the total equity interests of Netjoy Network or a lowest price legally permissible under the applicable laws of PRC, in which case the purchase price shall be the lowest amount under such request. These provisions enable Yunxiang Information or its designee(s) to act as the shareholder(s) of its choice to take over the equity interests in Netjoy Network at any time and thereby ensuring that our Group will continue to maintain our interest in Netjoy Network upon the exercise of the right pursuant to the Exclusive Option Agreement;
- (iii) under the Equity Pledge Agreement, the Registered Shareholders pledged all of their respective equity interests in Netjoy Network to Yunxiang Information, and all such pledges have been properly registered with the relevant administration. The registered pledges effectively prevent the Registered Shareholders from impeding Yunxiang Information's control over Netjoy Network by transferring their equity interests in Netjoy Network to bona fide third parties without Yunxiang Information's knowledge or approval;
- (iv) under the Powers of Attorney, the Registered Shareholders unconditionally and irrevocably appoint Yunxiang Information or its designee(s) (including but not limited to directors of Yunxiang Information and our Company and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) the

CONTRACTUAL ARRANGEMENTS

power to exercise all the rights that they have as the shareholders of Netjoy Network. These provisions provide Yunxiang Information with the powers to determine or change the composition of the board of directors and management team of Netjoy Network at any time, which in turn provides Yunxiang Information with the power to control Netjoy Network without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Netjoy Network on our Company and our legally-owned subsidiaries;

- (v) under the Spouse Undertakings, the spouses of each of our individual Registered Shareholders who was married, undertake not to take any actions to prevent the performances under the Contractual Arrangements; and
- (vi) we, through Yunxiang Information, will only approve and consent to Netjoy Network carrying out such Relevant Businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the foregoing, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations, and that:

- (i) each of Yunxiang Information and Netjoy Network is an independent legal entity that is duly incorporated and validly existing, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; each of the Registered Shareholders is a natural person with full civil and legal capacity or a legally established and validly subsisting entity;
- (ii) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;
- (iii) all parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the Contractual Arrangements is binding on the parties thereto and none of the agreements under the Contractual Arrangements would be deemed as “concealment of illegal intentions with a lawful form” and void under the Contract Law of the People’s Republic of China (《中華人民共和國合同法》) (the “**PRC Contract Law**”);
- (iv) none of the Contractual Arrangements violates any provisions of the articles of association of Yunxiang Information or Netjoy Network;
- (v) each of the Contractual Arrangements is enforceable under the PRC laws and regulations, and the entry into and the performance of each of them are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
 - (a) the exercise of the option by Yunxiang Information of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Netjoy Network are subject to the approvals of and/or registrations with the PRC regulatory authorities;
 - (b) any equity pledge contemplated under the Equity Pledge Agreement are subject to the registration with local administration bureau for industry and commerce;
 - (c) the arbitration awards/interim remedies provided under the dispute resolution provisions of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and

CONTRACTUAL ARRANGEMENTS

- (vi) the Contractual Arrangements as a whole and each of the Contractual Arrangements are valid, legal and binding under the PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral tribunal may award remedies over the equity interests or assets of Netjoy Network, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Netjoy Network, and that competent courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdictions (being the places where the principal assets of Netjoy Network or Netjoy Network are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity interests or property interest of Netjoy Network. However, our PRC Legal Advisors have advised that the interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. For further details, please see “— Summary of the Material Terms of the Contractual Arrangements — Dispute Resolution.”

During the consultations and interview with the SMART conducted on August 27, 2019, the application for the Radio and TV Programs Production and Operation License shall be examined pursuant to Administrative Regulations on Radio and Television (《廣播電視管理條例》) and the Administrative Provisions on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》).

Furthermore, pursuant to the applicable PRC laws, application for ICP License shall be examined pursuant to Telecommunications Regulations, FITE Regulations, and Administrative Measures for the Licensing of Telecommunications Business (《電信業務經營許可管理辦法》).

As confirmed by our PRC Legal Advisors, such laws and regulations do not prohibit the adoption of the Contractual Arrangements. Our PRC Legal Advisors have further advised us that the adoption of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations or is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisors, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and expect for the relevant arbitration clauses as described in “— Summary of the Material Terms of the Contractual Arrangements — Dispute Resolution,” each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. For further details, see “Risk Factors — Risks Relating to Our Contractual Arrangements.”

We are aware of a Supreme People’s Court ruling (the “**Supreme People’s Court Ruling**”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravenes the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for the Registered Shareholders under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the

CONTRACTUAL ARRANGEMENTS

mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisors are of the view that the relevant terms of the Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisors are of the view that the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the Contractual Arrangements were not entered into for illegitimate purposes. The purposes of the Contractual Arrangements are (a) to enable Netjoy Network to transfer its economic benefits to Yunxiang Information as service fees for engaging Yunxiang Information as their exclusive service provider and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interests of Yunxiang Information. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Hong Kong Stock Exchange while obtaining the economic benefits of our Consolidated Affiliated Entity, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, our PRC Legal Advisors are of the view that the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

For further details of the compliance history of our Group, see “Business — Legal Proceedings and Compliance.”

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Listing, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions” in this prospectus.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law (2019)

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020 (the “**FIL 2019**”). The FIL 2019 is intended to replace the current foreign investment legal foundation in the PRC consisting of three laws: 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-Invested Enterprise Law (《外資企業法》). For details of the FIL 2019, see “Regulatory Environment — Regulations Related to Foreign Investment — Regulation related to Foreign-Invested Enterprises.”

The FIL 2019 stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list,” which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list,” management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL 2019 does not contain or quote the stipulation of the “negative list.”

The definition of “foreign investors” in the FIL 2019 includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of the PRC in accordance with PRC laws but controlled by foreign natural persons or entities.

CONTRACTUAL ARRANGEMENTS

Moreover, the FIL 2019 does not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means.”

Impact of FIL 2019 on Contractual Arrangements

Our PRC Legal Advisors are of the view that since contractual arrangements are not specified as “foreign investments” under the FIL 2019 and if there is no applicable law or regulation that explains “other means” of foreign investment under the FIL 2019, or if “other means” of foreign investment are specified under applicable laws or regulations not to include contractual arrangements, it is unlikely that our Contractual Arrangements will be deemed as “foreign investments” under the FIL 2019 and therefore (i) the Contractual Arrangements shall neither be subject to the “negative list” nor be regulated by relevant authorities in accordance with the requirements of the “negative list;” and (ii) the FIL 2019 would not apply to the Contractual Arrangements as it does not substantially change the principle of recognition and treatment of contractual arrangements as compared with the current PRC laws and regulations, and the legality and validity of the Contractual Arrangements would not be affected.

If the operation of our Relevant Businesses is not on the “negative list” and we can legally operate such businesses under PRC laws, Yunxiang Information will exercise the option under the Exclusive Option Agreement to acquire the equity interests of Netjoy Network and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the operation of our Relevant Businesses is on the “negative list,” unless applicable laws or regulations define contractual arrangements are one of the “other means” of foreign investment, the probability that Contractual Arrangements will be deemed as “foreign investment” under the FIL 2019 and be regulated by relevant authorities in accordance with the requirements of the “negative list,” which could result in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the “negative list,” is low. In addition, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangements and the enactment of laws and regulations impacting them, and will make decisions according to different situations in practice.

However, there are uncertainties regarding the FIL 2019 including, among others, the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our understanding. See “Risk Factors — Risks Relating to Our Contractual Arrangements” for further details. In any event, our Company will take reasonable steps in good faith to seek to comply with the FIL 2019.

Sustainability of our business

If any ancillary regulations or implementation rules of the FIL 2019 subsequently issued, and the “catalog of special administrative measures” as finally issued, mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL 2019 or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such laws, regulations and rules. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Listing, we fail to comply with the FIL 2019 or such ancillary regulations or implementation rules, we may be required to dispose of our business operated through our Consolidated

CONTRACTUAL ARRANGEMENTS

Affiliated Entity under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with such laws, regulations and rules.

In the worst case scenario, if the operation of the Relevant Businesses is on the “negative list” and any new laws, regulations and rules subsequently promulgated is refined or deviates from the FIL 2019, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we may not be able to operate the Relevant Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the Consolidated Affiliated Entity and the financial results of the Consolidated Affiliated Entity may no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition. In such case, the Stock Exchange may also consider our Company to be no longer suitable for Listing on the Stock Exchange and delist our Shares. See “Risk Factors — Risks Relating to Our Contractual Arrangements.”

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL 2019 is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Listing, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL 2019 that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL 2019 or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisors), as well as its material impact on our business operation and financial position.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Yunxiang Information, Netjoy Network will pay services fees to the Yunxiang Information. The services fees, subject to the Yunxiang Information’s adjustment, are equal to the entirety of the total consolidated profit of Netjoy Network (net of accumulated deficit of the Consolidated Affiliated Entity in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Yunxiang Information may adjust the services scopes and fees at its discretion in accordance with the PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entity. Yunxiang Information also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entity. Accordingly, the Yunxiang Information has the ability, at its sole discretion, to extract all of the economic benefit of Netjoy Network through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Yunxiang Information has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entity as Yunxiang Information’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entity, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

CONTRACTUAL ARRANGEMENTS

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entity through Yunxiang Information and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entity. Accordingly, our Consolidated Affiliated Entity's results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entity into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entity is disclosed in Note 2.1 to the Accountants' Report in Appendix I to this prospectus.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;
- (iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our plan and progress in acquiring the relevant experience to meet the Qualification Requirement, (b) our status of compliance with the FIL 2019, and (c) the latest regulatory development in relation with the FIL 2019;
- (v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of Yunxiang Information and our Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements;
- (vi) the company seals, financial seals, contract seals and crucial corporate certificates of Netjoy Network are kept by our Group's finance and legal departments, respectively. Any employee of our Group who wishes to use the seals will have to obtain internal approval from the head of the business, legal and/or finance department(s) (as the case may be) of our Group, as well as approval from relevant superior departments;
- (vii) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has granted a waiver, details of which is set out in "Connected Transactions." Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;

CONTRACTUAL ARRANGEMENTS

- (viii) our Board (including the independent non-executive Directors) will ensure that Netjoy Network shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Yunxiang Information or any other legally held member of our Group shall be the registered owner of any other newly developed trademarks which will be material to the business of our Group; and
- (ix) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

In addition, notwithstanding that our executive Directors, namely Mr. Wang and Mr. Xu, and our non-executive Directors, namely Mr. Qin and Mr. Dai, are also the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing our business independently after the Listing under the following measures:

- (i) the decision-making mechanism of our Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (ii) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;
- (iii) we have appointed three independent non-executive Directors, comprising one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (iv) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

CONNECTED TRANSACTIONS

We have entered into certain agreements with our connected persons, the details of which are set out below. Upon Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon Listing and the nature of their relationship with our Group:

<u>Connected person</u>	<u>Connected relationship</u>
Mr. Wang	an executive Director
Mr. Xu	an executive Director
Mr. Qin	a non-executive Director
Mr. Dai	a non-executive Director
Kijiji	a substantial shareholder of Netjoy Network and a wholly-owned subsidiary of Baixing Net
Wutong Holding	a substantial shareholder of Netjoy Network
Baixing Net	the holding company of Kijiji which is held as to approximately 40.84% by Mr. Wang Jianshuo, a non-executive Director, together with the persons acting in concert with him, and hence an associate of Kijiji and Mr. Wang Jianshuo

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

<u>Continuing connected transactions</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>
Fully-exempt Continuing Connected Transactions		
1. Online Marketing Services Framework Agreement	Rule 14A.76(1)(c)	N/A
Non-exempt Continuing Connected Transactions		
2. Contractual Arrangements	Rule 14A.35-36 Rule 14A.49 Rule 14A.52-59 Rule 14A.76 Rule 14A.105	Announcement, circular, independent Shareholders' approval, annual caps and terms of agreements not exceeding three years

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Online Marketing Services Framework Agreement

Principal terms

On November 17, 2020, our Company (for itself and on behalf of our subsidiaries) entered into an online marketing services framework agreement with Baixing Net (together with its subsidiaries, “**Baixing Net Group**”) (for itself and on behalf of its subsidiaries), pursuant to which our Group will provide one-stop online marketing solutions to Baixing Net Group and its end advertisers, which primarily consists of user traffic acquisition, content production, raw data analysis, advertisement campaign optimization, and search engine optimization.

Separate underlying agreements will be entered into between the parties to set out the details, including category and scope of service, marketing requirements, service fee and relevant calculation basis and method of payment, based on the principles and within the parameters provided under the Online Marketing Services Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm’s length negotiation between the parties.

The initial term of the Online Marketing Services Framework Agreement will commence on the Listing Date and expire on December 31, 2022 and can be renewed upon its expiry as agreed between the parties.

Reasons for and benefits of the transactions

We have long-term cooperation with Baixing Net Group since the very beginning of our business. We have provided our online marketing services to Baixing Net Group since 2014. Baixing Net Group is an advertiser itself and also an advertising agency representing its end advertisers, both of which desire to acquire consumers and realize their marketing goals through our online marketing solutions. As such, our services provided to Baixing Net Group under the Online Marketing Services Framework Agreement are in the ordinary and usual course of our business. In addition, the prices and terms offered by our Group to Baixing Net Group are no more favorable than those offered to our other customers which are Independent Third Parties, hence our online marketing services provided to Baixing Net Group are profitable and are in the interests of our Group and the Shareholders as a whole. Moreover, given that Baixing Net is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants and its customers are mainly middle-sized and startup enterprises, providing our online marketing services to Baixing Net Group and their end advertisers would optimize our customers structure and enable us to gain a stream of recurring revenue.

Pricing policy

We charge Baixing Net Group for the online marketing services provided to it and its end advertisers primarily based on CPC or CPT. We may also charge Baixing Net Group on the basis of oCPC, oCPM, CPM, or CPA models or a combination of these aforementioned models, which depends on the categories and scope of services we provide. We may grant rebates to Baixing Net Group in the form of traffic volume to incentivize and encourage them to use our solutions, which are calculated primarily based on their gross spending of our solutions with reference to the rebate policy granted by different media partners to us as well as the rebate policy that we grant to our independent customers. The aforesaid pricing policies are no more favorable than those offered to our other independent customers.

CONNECTED TRANSACTIONS

Historical transaction amounts

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate online marketing services fees paid by Baixing Net Group to us are approximately RMB3.05 million, RMB2.10 million, RMB4.76 million and RMB0.11 million, respectively. The decrease in the online marketing services fees paid to us in the first half of 2020 was primarily due to the reduced demand of the end advertisers of Baixing Net Group caused by the outbreak of COVID-19.

Listing Rules implications

The transactions contemplated under the Online Marketing Services Framework Agreement have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better. Our Directors expect that, for each of the three years ending December 31, 2022, the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of these transactions will be, on an annual basis, less than 5% and the total annual amount receivable by our Group will be less than HK\$3 million. As such, these transactions will, upon Listing, be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

2. Contractual Arrangements

Background

As disclosed in “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we, as foreign investors, are prohibited from holding equity interest in our Consolidated Affiliated Entity, namely Netjoy Network, which currently holds certain licenses required for carrying out the Relevant Businesses. As a result, our Group, through our wholly-owned subsidiary, Yunxiang Information, has entered into the Contractual Arrangements with Netjoy Network and the Registered Shareholders such that we can conduct our Relevant Business indirectly in the PRC through Netjoy Network while complying with the applicable PRC laws and regulations. The Contractual Arrangements enable our Group to, among others, (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entity in consideration for the services provided by Yunxiang Information to our Consolidated Affiliated Entity; (ii) exercise effective control over our Consolidated Affiliated Entity; and (iii) hold an exclusive option to acquire all or part of the equity interests in and/or the assets of our Consolidated Affiliated Entity when and to the extent permitted by the PRC laws and regulations.

The Contractual Arrangements consist of a series of agreements. For further details, see “Contractual Arrangements.”

Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, namely Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai, and Kijiji, all of which are the members of the Registered Shareholders, are connected persons of our Company.

The highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements is expected to be, on an annual basis, more than 5%. As such, these transactions will be subject to the reporting, annual review, announcement, circular, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Our Directors (including the independent non-executive Directors) are of the view that (i) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of our Group; and (ii) such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, our Consolidated Affiliated Entity and any member of our Group (the “**New Intergroup Agreements**”) technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules after the Listing, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders’ approval requirements.

WAIVERS APPLICATIONS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders’ approval under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors’ approval

No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders’ approval

Save as described in paragraph (d) below, no change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders’ approval. Once the independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

CONNECTED TRANSACTIONS

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entity through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the equity interests of Netjoy Network at the minimum amount of consideration permitted under the applicable PRC laws, (ii) the business structure under which the profit generated by our Consolidated Affiliated Entity is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Yunxiang Information by our Consolidated Affiliated Entity under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entity.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entity during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

- Our Company’s auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, our Consolidated Affiliated Entity will be treated as our wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entity and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entity), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entity will undertake that, for so long as the Shares are listed on the Stock Exchange, our Consolidated Affiliated Entity will provide the Group’s management and the Company’s reporting accountants’ full access to its relevant records for the purpose of their review of the continuing connected transactions.

In addition, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders’ approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that our Consolidated Affiliated Entity will continue to be treated as our subsidiary, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entity and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entity), other than those under the Contractual Arrangements and the New Intergroup Agreements, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the Online Marketing Services Framework Agreement and the transactions contemplated therein have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps (if any) for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of our Consolidated Affiliated Entity can be effectively controlled by Yunxiang Information; (ii) Yunxiang Information can obtain the economic benefits derived from our Consolidated Affiliated Entity, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented, on an uninterrupted basis.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group and our PRC Legal Advisors.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Sole Sponsor is of the view that it is a justifiable and normal business practice to ensure that (i) the financials and operation of our Consolidated Affiliated Entity can be effectively controlled by Yunxiang Information, (ii) Yunxiang Information can obtain the economic benefits derived from our Consolidated Affiliated Entity, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented on an uninterrupted basis.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On July 29, 2015, our Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin) entered into the Original Acting-in-concert Agreement, pursuant to which our Ultimate Controlling Shareholders have acted in concert by aligning their votes at the board meetings and shareholders' meetings of Netjoy Network. For further details, see "History, Reorganization and Corporate Structure — Corporate Development — Netjoy Network — Acquisition by our Ultimate Controlling Shareholders and early development."

On March 30, 2020, the AIC Parties (i.e. our Ultimate Controlling Shareholders, their respective Offshore Holding Companies and the Direct Holding SPVs of their respective Family Trusts) entered into the Acting-in-concert Agreement, pursuant to which the AIC Parties have acknowledged and agreed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, communicate thoroughly and act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of our Group (where applicable) until the termination of the Acting-in-concert Agreement in accordance with the provisions therein. For further details, see "History, Reorganization and Corporate Structure — Reorganization — Acting in Concert Arrangement."

Immediately upon completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), our Ultimate Controlling Shareholders (as the economic settlors and the protectors of their respective Family Trusts), through their respective Offshore Holding Companies (as the settlors of their respective Family Trusts) and the Direct Holding SPVs of their respective Family Trusts, collectively as the AIC Parties, will be entitled to exercise the voting rights attaching to approximately 30.19% of the enlarged total issued share capital of our Company. Therefore, the AIC Parties are a group of Controlling Shareholders of our Company for the purpose of the Listing Rules.

The abovementioned Family Trusts are revocable and discretionary trusts established by our Ultimate Controlling Shareholders (as the economic settlors and the protectors) together with their Offshore Holding Companies (as the settlors) for succession and estate planning purpose, for which PraxisIFM Nerine Fiduciaries (Hong Kong) Limited, an independent professional trust administrator, acts as the initial trustee. The structure of these Family Trusts is commonly adopted by the Trustee, where the Intermediary Holding SPVs (i.e. Derun International, FSS Investment and SpringRain Planning) are set up by the Trustee to hold interest in the Direct Holding SPVs (i.e. Wang SPV, Xu SPV and Qin SPV), which in turn directly hold the Shares on behalf of these Family Trusts. The Trustee and the relevant Intermediary Holding SPVs mainly serve for administrative purposes and shall not be regarded as members of our Controlling Shareholders in the sense that:

- pursuant to the trust deed of the relevant Family Trust, the relevant settlor (i.e. the Offshore Holding Company wholly owned by each of our Ultimate Controlling Shareholders) is entitled to revoke the Family Trust, remove the Trustee and appoint a new trustee to the Family Trust at its sole discretion, and the Trustee can only exercise the investment power as to the trust properties under the Family Trust (including the disposal of the Shares beneficially owned by the Family Trust) in accordance with the directions of the settlor;
- each of our Ultimate Controlling Shareholders acts as the sole director of the relevant Direct Holding SPV and therefore is able to directly exercise and has the immediate control over the voting rights attaching to the Shares held by the Direct Holding SPV;
- the relevant Intermediary Holding SPV was set up by the Trustee merely for the purpose of holding interest in the Direct Holding SPV with a view to facilitating the general management of the Family Trust, where the right to appoint or remove its director rests with its sole shareholder (i.e. the Trustee) or its director (i.e. PIFM One Limited, an Independent Third Party nominated by the Trustee) instead of our Ultimate Controlling Shareholders; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- unlike the relevant Direct Holding SPV, which is the trust property under the Family Trusts administered and controlled by each of our Ultimate Controlling Shareholders in the capacity as the sole director thereof and via the investment powers reserved upon them through the settlor, the relevant Intermediary Holding SPV is not a trust property injected by the settlor into the Family Trust.

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them is interested in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business, which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after Listing.

Operational Independence

We are in possession of all relevant licenses, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. Our Group have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates. We have independent access to suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

The Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. Both of Mr. Wang and Mr. Xu are executive Directors and Mr. Qin is a non-executive Director. All the other Directors and other members of our senior management are independent from our Controlling Shareholders. The daily operational and management decisions of our Group are made collectively by our Board and our senior management team, and we have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis.

Each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. 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 close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract, arrangement or any other proposal in which he or she or any of his or her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe our independent non-executive Directors individually and collectively have possessed the depth and breadth of experience which will enable them to bring independent and impartial judgment to the decision-making process of our Board. Our independent

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform their roles in our Company in managing our business independently.

Financial Independence

We have established an independent accounting and finance department and an independent internal control system. Our accounting and finance functions are independent of our Controlling Shareholders, and we can make financial decisions independently. In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates.

As of June 30, 2020, we had a number of outstanding loans with principal amounts and interests thereon of RMB80.9 million guaranteed by our Controlling Shareholders and their respective close associates. See “Financial Information — Related Party Transactions” and Note 25 of the Accountants’ Report as set out in Appendix I to this prospectus for more details. All such guarantees provided for our benefit by our Controlling Shareholders and their respective close associates will be fully discharged prior to the Listing.

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders (collectively, the “**Covenantors**” and each, a “**Covenantor**”) entered into a deed of non-competition (the “**Deed of Non-competition**”) in favor of our Company on November 17, 2020, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company that, at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that his/its close associates (other than members of our Group) will not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC, Hong Kong and other territories where our Company carries out business which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the “**Restricted Business**”).

The above restrictions do not prohibit any of the Covenantors and his/its close associates (excluding members of our Group) from:

- (a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interest in our Group from time to time;
- (b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

shares of such entity provided that (i) such investment or interest does not grant any of the Covenantors and their respective close associates any right to control the composition of the board of directors or managers of such entity, (ii) none of the Covenantors or their respective close associates control the board of directors or managers of such entity, and (iii) such investment or interest does not grant any of the Covenantors and their respective close associates any right to participate directly or indirectly in such entity; or

- (c) participating in any New Business Opportunities (as defined below) if our Group has declined the New Business Opportunities or no written notice has been received from our Group of our decision to pursue or decline the New Business Opportunity upon expiration of the Offer Notice Period that we shall be deemed to have declined the New Business Opportunity as set out below.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business (“**New Business Opportunities**” and each, a “**New Business Opportunity**”) to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- (a) As soon as he/it becomes aware of any New Business Opportunity, give written notice (the “**Offer Notice**”) to us identifying the target company (if relevant) and the nature of the New Opportunity, detailing all information available to him/it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to him/it).
- (b) Our Company shall, as soon as practicable and in any case within 30 Business Days from the receipt of the Offer Notice (the “**Offer Notice Period**”) notify the relevant Covenantor in writing of its intention to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering him/it, proposing or presenting the New Business Opportunity and the relevant Covenantor shall use his/its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.
- (c) Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.
- (d) The relevant Covenantor may, at his/its absolute discretion, consider extending the Offer Notice Period as appropriate.
- (e) The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:
 - (i) he/it has received a written notice from us declining the New Business Opportunity; or
 - (ii) he/it has not received any written notice from us of our intention to pursue or decline the New Business Opportunity within 30 Business Days from our receipt of the Offer Notice, or if he/it has extended the Offer Notice Period, within such other period as agreed by him/it, in which case our Company shall be deemed to have declined the New Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (f) If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, he/it shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their close associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in announcements to the public or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Deed of Non-competition, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

- (a) the Covenantors shall provide, and shall procure their close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition;
- (b) without prejudicing the generality of paragraph (a) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Deed of Non-competition;
- (c) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual reports or by way of announcements to the public; and
- (d) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the Covenantors or any of their respective close associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcements to the public.

For the purposes of the above, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and, as the case may be, any of their close associates, cease to hold, or otherwise control or be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our minority Shareholders. We will adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- where a Shareholders' meeting is held for considering proposed transaction in which any of the Controlling Shareholders has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- any transaction between (or proposed to be made between) our Group and the connected persons shall comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- our independent non-executive Directors are independent of our Controlling Shareholders and are appointed in accordance with the requirements under the Listing Rules to ensure that decisions of the Board are made only after due consideration of independent and impartial opinions;
- our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our other Shareholders;
- our Company has appointed Haitong International Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance; and
- we have established an Audit Committee, a Remuneration Committee and a Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The majority of the members of the aforementioned committees are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect the minority Shareholders' rights after Listing.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election. The following table sets forth certain information regarding the Directors.

Name	Age	Time of joining our Group	Date of appointment as Director	Position	Roles and responsibilities
Mr. Wang Chen (王晨) . . .	42	February 2013	March 29, 2019	Executive Director, chief executive officer	Developing overall corporate and business strategies of our Group and making significant business and operational decisions of our Group
Mr. Xu Jiaqing (徐佳慶) . .	32	November 2012	November 8, 2019	Chairman of the Board, executive Director, vice president, chief marketing officer	Overseeing daily operation and management of our Group and the implementation of the business plans of our Group
Mr. Qin Miaomiao (覃渺渺)	35	November 2012	November 8, 2019	Non-executive Director	Assisting in overseeing the operation of Netjoy Network and providing strategic advice on development of our Group
Mr. Dai Liqun (戴立群) . . .	44	October 2015	November 8, 2019	Non-executive Director	Providing strategic advice and making recommendations on corporate operation and development of our Group
Mr. Zhang Jianguo (張建國)	44	October 2018	November 8, 2019	Non-executive Director	Providing strategic advice and making recommendations on corporate operation and development of our Group
Mr. Wang Jianshuo (王建碩)	42	June 2018	November 8, 2019	Non-executive Director	Providing strategic advice and making recommendations on corporate operation and development of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Time of joining our Group	Date of appointment as Director	Position	Roles and responsibilities
Mr. Chen Changhua (陳長華)	40	November 17, 2020	November 17, 2020	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group
Dr. Ru Liyun (茹立雲) . . .	40	November 17, 2020	November 17, 2020	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group
Ms. Cui Wen (崔雯)	57	November 17, 2020	November 17, 2020	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group

Executive Directors

Mr. Wang Chen (王晨), aged 42, is an executive Director and the chief executive officer of our Company. He is primarily responsible for developing overall corporate and business strategies of our Group and making significant business and operational decisions of our Group.

With almost 10 years of industry experience, Mr. Wang has gained in-depth understanding of the industry where our Group operates and accumulated rich management experience. Mr. Wang joined our Group in February 2013 and had served as the vice general manager of Netjoy Network until June 2015. He subsequently has been the general manager and a director of Netjoy Network since June 2015 and October 2015, respectively. Prior to joining our Group, Mr. Wang acted as the business development director of Baixing Net, a company listed on the NEEQ (NEEQ: 836012) which is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants, from November 2010 to January 2013, in charge of advertising management and business cooperation with media partners and management of local channel sales representative network. He also worked at Microsoft (China) Co., Ltd. (微軟(中國)有限公司) and its Shanghai Minhang Branch from September 2004 to November 2010, with his last position as partner technical advisory (PTA) (Level II), primarily responsible for providing technical support, action plan and analysis services to the partners of Microsoft. Mr. Wang also worked at Beijing Xander Technology Co., Ltd. (北京建達藍德科技有限公司) previously.

Mr. Wang graduated with a bachelor's degree in engineering from Beijing University of Technology (北京工業大學) in July 2000. He was certified as a PMP (Project Management Professional) by Project Management Institution in the U.S. from June 2006 to June 2010, a Microsoft Certified Database Administrator and a Microsoft Certified Systems Engineer by Microsoft Incorporation in September 2002 and January 2006, respectively. He also obtained Google Analytics Individual Qualification in February 2011 accredited by Google Testing Center. Mr. Wang is currently studying for an EMBA (Executive Master of Business Administration) degree at School of Economics and Management of Tsinghua University (清華大學經管學院).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Jiaqing (徐佳慶), aged 32, is the chairman of the Board, an executive Director, a vice president and the chief marketing officer of our Company. He is primarily responsible for overseeing daily operation and management of our Group and the implementation of the business plans of our Group.

Mr. Xu has an in-depth understanding of the industry where our Group operates with almost 10 years of working experience both inside and outside our Group and has accumulated extensive experience in the daily operation and management of our Group. From November 2012 to November 2013, Mr. Xu served as the general sales manager of Netjoy Network in charge of overall planning of marketing strategies and management of sales operation. Mr. Xu has held directorship at Netjoy Network since October 2015, and has been its vice general manager since September 2017 and its chairman of the board and the legal representative since November 2018. Apart from holding positions in Netjoy Network, Mr. Xu also served as the chief operating officer of Letui Culture from the date of its establishment in December 2013 and has been its director since June 2019. In addition, Mr. Xu has been the executive director or general manager of several subsidiaries within our Group, including Quantum Culture Media since June 2017, Qizheng Culture since May 2019, Letui Information since August 2019, Yunxiang Information since August 2019, Guomeng Internet since December 2019 and Letui Zhixiao since January, 2020, respectively. Prior to joining our Group, Mr. Xu worked at Shanghai Ruichuang Network Technology Co., Ltd. (上海瑞創網絡科技有限公司), a company primarily engaging in internet advertising business, from September 2010 to August 2012.

Mr. Xu graduated with a college's degree in printing technology from Shanghai Publishing and Printing College (上海出版印刷高等專科學校) in July 2009.

Non-executive Directors

Mr. Qin Miaomiao (覃渺渺), aged 35, is a non-executive Director of our Company. He is primarily responsible for assisting in overseeing the operation of Netjoy Network and providing strategic advice on development our Group.

Mr. Qin has more than 11 years of working experience in internet companies and has obtained substantial experience from the operation of our Group. Mr. Qin has been the vice general manager of Netjoy Network since November 2012 and its director since June 2015. Mr. Qin also served as chairman of the board of Netjoy Network from October 2015 to October 2018. Prior to joining our Group, Mr. Qin worked at Shanghai Ruichuang Network Technology Co., Ltd. (上海瑞創網絡科技有限公司) from August 2009 to July 2012.

Mr. Qin graduated with a bachelor's degree in Chinese language and literature from Jiangnan University (江南大學) in June 2007.

Mr. Dai Liqun (戴立群), aged 44 with the former name as Dai Liqun (代立群), is a non-executive Director of our Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of our Group. Mr. Dai is the spouse of Ms. Peng Ting, a vice president and a joint company secretary of our Company.

Mr. Dai joined our Group in October 2015 and has been a director of Netjoy Network since then. He has also been a director of Letui Culture since December 2013 and its chairman of the board since July 2019. Prior to joining our Group, Mr. Dai served as the technical director of Shanghai Yungang Tonghui Visual Art Design Co., Ltd. (上海雲罡同匯視覺藝術設計有限公司) from July 2008 to November 2013 and Shanghai Look Visual Art Design Co., Ltd. (上海路可視覺藝術設計有限公司) from June 2005 to June 2008, respectively, in charge of overall management of product research and development.

Mr. Dai graduated with a college's degree in automobile application engineering from Wuhan University of Technology (武漢理工大學) (formerly named as Wuhan Automotive Industry University (武漢汽車工業大學)) in June 1997.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Jianguo (張建國), aged 44, is a non-executive Director of our Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of our Group.

Mr. Zhang joined our Group in October 2018 and has been a director of Netjoy Network since then. Prior to that, he accumulated rich experience in product operation and management by holding various senior management positions in both private and public companies for more than 20 years. Mr. Zhang worked at Wutong Holding, a company listed on Shenzhen Stock Exchange (stock code: 300292), as the assistant to chairman of the board from September 2018 to December 2018, where he has also served as its president since December 2018 and its director since January 2019.

He currently holds directorships in several companies within the group of Wutong Holding in which he is responsible for major operational and managerial matters. From July 1999 to July 2018, Mr. Zhang served at ZTE Corporation, a company listed on both Shenzhen Stock Exchange (stock code: 000063) and the Stock Exchange (stock code: 0763), with his last position as its senior vice president focusing on overseeing and managing development of communication products.

Mr. Zhang graduated with a bachelor's degree in computer science and technology from Chongqing University (重慶大學) in June 1999. Mr. Zhang later obtained an EMBA degree from School of Economics and Management of Tsinghua University (清華大學經管學院) in June 2017.

Mr. Wang Jianshuo (王建碩), aged 42, is a non-executive Director of our Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of our Group.

With more than 20 years of internet industry related working experience, Mr. Wang gathered substantial knowledge and experience in the area where our Group operates. He joined our Group in June 2018 and has been a director of Netjoy Network since then. Prior to that, Mr. Wang has been the chairman of the board of Baixing Net, a company listed on the NEEQ (NEEQ: 836012) which is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants, since August 2015. Mr. Wang previously served as an executive director of Baixing Net from September 2005 to August 2015. From June 1999 to March 2005, Mr. Wang worked at Microsoft (China) Co., Ltd. Shanghai Branch (微軟(中國)有限公司上海分公司) with his last position as the project manager.

Mr. Wang graduated with a bachelor's degree in automation from Shanghai Jiao Tong University (上海交通大學) in July 1999.

Independent Non-executive Directors

Mr. Chen Changhua (陳長華), aged 40, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Chen has held directorship at Guofu Life Insurance Co., Ltd. (國富人壽保險股份有限公司) from June 2018 to June 2020. He has extensive experience in accounting and financial management. Mr. Chen has been the chief financial officer of financial service platform (金融服務平台) in Tianjin Sankuai Technology Co., Ltd. (天津三快科技有限公司), a subsidiary of Meituan Dianping (美團點評) (stock code: 3690), since April 2018, primarily responsible for financial analysis. Prior to that, he served as the senior director of Vipshop (China) Co., Ltd. (唯品會(中國)有限公司) from October 2011 to April 2018, whose holding company, Vipshop Holdings Limited, is listed on the New York Stock Exchange (NYSE stock code: VPIS), primarily responsible for financial analysis. Mr. Chen also served as the audit manager at Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司) from July 2005 to November 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen graduated with a bachelor's degree in marketing from Dalian Maritime University (大連海事大學) in July 2002. He further obtained a master's degree in industrial economics from Shanghai University (上海大學) in April 2005, and a master's degree in business administration from University of Southern California in August 2016, respectively. Mr. Chen was admitted as a member of Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in April 2012, and was licensed as a certified public accountant by the Board of Accountancy of Washington in the U.S.

Dr. Ru Liyun (茹立雲), aged 40, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Dr. Ru has almost 15 years of experience in internet technology industry. From July 2005 to June 2018, Dr. Ru held various positions within the group of Sogou Inc., a company listed on the New York Stock Exchange (NYSE stock code: SOGO), with his last position as the chief operational officer of Sogou Inc. He also served as a strategic counsel of Beijing Sogou Information Service Co., Ltd. (北京搜狗信息服務有限公司) from June 2018 to May 2019. He founded Beijing Grape Intelligence Technology Co., Ltd. (北京葡萄智學科技有限公司) in March 2018 and has been its executive director, chief executive officer and chief science officer since then.

Dr. Ru majored in computer science and technology in Tsinghua University (清華大學) and obtained a bachelor's degree in July 2002, a master's degree in July 2005, and a doctoral degree through a program of work in January 2014, respectively. Dr. Ru received several awards and recognitions, including Top 50 of Chinese Business Innovation (中國商業創新50人) and Award of Technology Innovator (技術創新者獎) honored by CBN weekly (第一財經週刊) in February 2013, First Prize of Beijing Science and Technology Award (北京市科學技術獎一等獎) honored by Beijing Municipal People's Government (北京市人民政府) in December 2015 and in November 2017, respectively, and CCF Outstanding Engineer Award (中國計算機學會傑出工程師獎) honored by China Computer Federation (中國計算機學會) in December 2017.

Ms. Cui Wen (崔雯), aged 57, is an independent non-executive Director of our Company. She is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Ms. Cui has been an independent director of Shanghai Worth Garden Co., Ltd. (上海沃施園藝股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300483) since April 2020. She has spent almost 30 years working at various multinational and domestic corporations dedicating human resources (“HR”) area. As the founding member, she has been a director, the general manager and a consultant of Xceed OD Consulting Co. Ltd. (惜德組織發展諮詢有限公司) since December 2013. From June 2014 to February 2018, Ms. Cui served as a member of the executive committee and the dean of seeding college (種子院) of Envision Energy (Jiangsu) Co. Ltd. (遠景能源(江蘇)有限公司) (subsequently renamed as Envision Energy Co. Ltd. (遠景能源有限公司)). She also served as the chief officer of organizational development of Uniplan (Shanghai) Co., Ltd. (德商優尼博覽諮詢(上海)有限公司) from March 2013 to October 2013, and the chief operational officer of Baixing Net from September 2011 to February 2013. Prior to that, Ms. Cui held HR related positions in certain corporations, including the U.S. headquarter of Nike Inc. as the global HR business partner from December 2009 to June 2011, Nike Sports (China) Co., Ltd. (耐克體育(中國)有限公司) as the greater China HR director from January 2006 to November 2009, Shanghai Roche Pharmaceutical Co. Ltd. (上海羅氏製藥有限公司) as the China HR director from August 2002 to December 2005, Reckitt Benckiser (China) Co. Ltd. (利潔時(中國)有限公司) as the China HR director from April 1997 to July 2002, and Xian-Janssen Pharmaceutical Co. Ltd. (西安楊森製藥有限公司), as the HR supervisor and compensation supervisor from April 1991 to March 1997.

Ms. Cui graduated from Xi'an University (西安大學) majored in industrial electrical automation in July 1984 and obtained a bachelor's degree in industrial electrical automation from Xi'an University of

DIRECTORS AND SENIOR MANAGEMENT

Technology (西安理工大學) (formerly known as Shanxi Institute of Mechanical Engineering (陝西機械學院)) in January 1985. She graduated with a master's degree in philosophy from Nottingham Trent University in March 2015. She was recognised as the China's 15 people in 15 years (中國15年15人) by Wolters Kluwer in 2012. Ms. Cui successfully completed the requirements for the Stakeholders Centered Coaching by Marshall Goldsmith Coaching Certification Program and became a certified coach in October 2012. She has been appointed by Shanghai Vistage Management Consulting Co., Ltd. (上海偉仕達管理諮詢有限公司) as a executive coach since February 2018.

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management of our Company.

Name	Age	Time of joining our Group	Date of appointment as a senior management member	Position	Roles and responsibilities
Mr. Wang Chen (王晨) . . .	42	February 2013	June 16, 2020	Executive Director, chief executive officer	Developing overall corporate and business strategies of our Group and making significant business and operational decisions of our Group
Mr. Xu Jiaqing (徐佳慶) . .	32	November 2012	June 16, 2020	Chairman of the Board, executive Director, vice president, chief marketing officer	Overseeing daily operation and management of our Group and the implementation of the business plans of our Group
Ms. Zha Junling (查俊玲)	34	July 2015	June 16, 2020	Financial director	Financial management, financial strategies and investor relations of our Group
Ms. Peng Ting (彭婷)	42	November 2012	June 16, 2020	Vice president and joint company secretary	Corporate governance, compliance matters and regulatory communications of our Group
Mr. Han Bin (韓斌)	52	July 2019	June 16, 2020	Vice president	Financing and investment management of our Group
Mr. Wu Guozhi (吳國治) . .	43	May 2016	June 16, 2020	Software architect	Design of our software systems and overseeing the software development of our Group
Ms. Dong Ying (董瑩)	31	June 2019	June 16, 2020	Operation manager of Xi'an branch	Overseeing the daily management of Xi'an branch

DIRECTORS AND SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

Mr. Wang Chen (王晨), see “— Board of Directors — Executive Directors” for his detailed background.

Mr. Xu Jiaqing (徐佳慶), see “— Board of Directors — Executive Directors” for his detailed background.

Ms. Zha Junling (查俊玲), aged 34, is the financial director of our Company. She is primarily in charge of the financial management, financial strategies and investor relations of our Group.

Ms. Zha has more than 12 years of experience in accounting and financial management. She joined our Group in July 2015 and has been the financial controller of Netjoy Network since then. Prior to joining our Group, Ms. Zha acting as the sales accountant of Shanghai K-Max Healthcare Products Co., Ltd. (上海康麥斯保健品有限公司) from August 2010 to June 2015. Prior to that, Ms. Zha was an accountant of Zhongda Diantong Co., Ltd. (中達電通股份有限公司) from April 2008 to October 2009.

Ms. Zha graduated with a bachelor’s degree in accounting from Shanghai Institute of Finance (上海金融學院) (subsequently merged into Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院)) in July 2008. She obtained a Certificate of Accounting Profession issued by Bureau of Finance of Pudong New District of Shanghai (上海市浦東新區財政局) in July 2008. She was certified as an Intermediate Accountant by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the Ministry of Finance (財政部) of PRC in September 2018.

Ms. Peng Ting (彭婷), aged 42, is a vice president and a joint company secretary of our Company. She is primarily in charge of the corporate governance, compliance matters and regulatory communications of our Group. Ms. Peng Ting is the spouse of Mr. Dai Liqun, one of our non-executive Directors.

Ms. Peng has almost eight years of experience in corporate governance and management. From November 2012 to October 2015, Ms. Peng served as the business manager and the marketing director of Netjoy Network. After that, she has been the secretary to the board and the vice president of public service department of Netjoy Network. Ms. Peng has also held various positions in certain subsidiaries within our Group, including the legal representative and the executive director of Yunxiang Entertainment since August 2018, the supervisor of Qizheng Culture, Letui Information and Guomeng Internet since May 2019, August 2019, and December 2019, respectively. Prior to joining our Group, Ms. Peng worked at Shanghai Chendi Electronic Technology Co., Ltd. (上海辰迪電子科技有限公司), where she acted as the business manager from June 2011 to October 2012, and was primarily responsible for the development of business cooperation and communication and relationship maintenance with business partners.

Ms. Peng graduated with a college’s degree in business administration through a long distance learning program from Changsha Industry Employees University (長沙工業職工大學) in January 2019. She was certified as a secretary to board by NEEQ in May 2017 and by Shenzhen Stock Exchange in August 2016, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Han Bin (韓斌), aged 52, is a vice president of our Company. He is primarily in charge of financing and investment management of our Group.

Mr. Han joined our Group in July 2019 and has been our vice president since then. Prior to joining our Group, he served as the vice president of Shanghai Fenghua Education Technology Co., Ltd. (上海楓華教育科技有限公司) from August 2017 to March 2019, and was primarily responsible for financing and investment management. Before that, he served as a counsel and the director of capital market department at Fangda Partners (方達律師事務所) from March 2014 to August 2017. From November 2008 to March 2014, Mr. Han worked at the Stock Exchange as an assistant vice president and its Shanghai vice special representative. Prior to that, he worked at Hubei Huanghe Law Firm (湖北黃鶴律師事務所) as a lawyer from March 2000 to April 2004.

Mr. Han graduated with a bachelor's degree in science from Beijing Normal University (北京師範大學) in July 1990. He obtained master of laws degrees from Wuhan University (武漢大學) in June 1999 and from the University of Toronto in November 2005, respectively. He also obtained a doctor of philosophy degree from the University of Hong Kong in November 2011. Mr. Han was licensed by the Ministry of Justice of the PRC to practice law in the PRC in June 2000.

Mr. Wu Guozhi (吳國治), aged 43, is the software architect of our Group. He is primarily responsible for design of our software systems and overseeing the software development of our Group.

Mr. Wu has more than 15 years of experience in programming and software engineering. He joined our Group in May 2016 and has been our software architect since then. Prior to joining our Group, he held several positions in Microsoft (China) Co., Ltd. Shanghai Branch (微軟(中國)有限公司上海分公司) and Microsoft (China) Co., Ltd. Shanghai Minhang Branch (微軟(中國)有限公司上海閔行分公司) from January 2005 to May 2016, with his last position there as a support engineer.

Mr. Wu studied at Tianjin University (天津大學) in environmental engineering from September 1993 to May 1998. He obtained a number of qualifications certified by Microsoft during his tenure there, including, among others, Microsoft Certified Solution Developer, Microsoft Certified Database Administrator, Microsoft Certified Dynamics Specialist, Microsoft Certified IT Professional, Microsoft Certified Technology Specialist and Microsoft Certified Professional.

Ms. Dong Ying (董瑩), aged 32, is the operation manager of Xi'an branch of our Group. She is primarily responsible for overseeing the daily management of Xi'an branch.

Ms. Dong is skilled in the management of advertising campaigns. She joined our Group in June 2019 as the operation manager of Xi'an branch. Prior to that, she worked at Xi'an Weiju Information Technology Co., Ltd. (西安微聚信息技術有限公司) as a planner of culture and tourism department from August 2017 to June 2019. Ms. Dong served as a mid-level planner of Beijing Angran Shidai Advertising Co., Ltd. (北京昂然時代廣告有限公司), a wholly-owned subsidiary of Beijing Adsage Technology Co., Ltd. (北京艾德思奇科技有限公司), from September 2016 to May 2017. Before that, she also worked at Beijing Topline Brand Management Co., Ltd. (北京尚誠同力品牌管理股份有限公司).

Ms. Dong graduated with a major in information management and information system from Xi'an University of Technological Information (西安工業大學北方信息工程學院) in July 2011. She also obtained a master of business administration degree from James Cook University in November 2013. Ms. Dong was granted a New Work Award (新銳作品獎) by Toutiao on the vertical screen ad creative competition (豎屏廣告創意大賽) in October 2018.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Peng Ting (彭婷), see “— Senior Management” for her detailed background.

Ms. Leung Shui Bing (梁瑞冰), aged 43, is a joint company secretary of our Company. Ms. Leung currently serves as a manager of listing services department at TMF Hong Kong Limited (達盟香港有限公司), a global corporate services provider. She has over 15 years of experience in the company secretarial field.

Ms. Leung is currently a joint company secretary of Lianhua Supermarket Holdings Co., Ltd. (stock code: 980), Shanghai Kindly Medical Instruments Co., Ltd. (上海康德萊醫療器械股份有限公司) (stock code: 1501), IntelliCentrics Global Holdings Ltd. (stock code: 6819), Immunotech Biopharm Ltd. (stock code: 6978) and Kanghi Medical Holdings Limited (stock code: 9997), all of which are companies listed on the Stock Exchange. Ms. Leung obtained her bachelor’s degree in business and management studies (accounting and finance) from the University of Bradford in the United Kingdom in July 2008, and master’s degree in corporate governance from the Open University of Hong Kong in August 2017. She was admitted as an associate member of both of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom in December 2017, respectively.

Ms. Leung is not an employee of our Company but will coordinate with Ms. Peng, the other joint company secretary, in discharging her duties in our Company.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Our Company currently has three special committees under the Board, which are the Audit Committee, the Nomination Committee, and the Remuneration Committee. These committees operate in accordance with their respective terms of reference established by the Board.

Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee consists of three Directors, being Mr. Chen Changhua, Dr. Ru Liyun and Mr. Dai. The chairperson of the Audit Committee is Mr. Chen Changhua, who is the independent non-executive Director with the appropriate accounting and related financial management expertise. The primary duties of the Audit Committee include, among others, the following:

- conducting inspections on our compliance, accounting policies, financial reporting procedures as well as our financial wellbeing;
- organizing and leading our annual audit work;
- advising on the engagement or change of external auditors;
- ensuring the truthfulness, accuracy and completeness of the financial reports during the audit process and submitting them to the Board of Directors for review;
- conducting inspections on our internal control system;
- performing other responsibilities in accordance with applicable laws and regulations; and
- performing other responsibilities as authorized by our Board of Directors.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company has established a Remuneration Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Remuneration Committee consists of three Directors, being Dr. Ru Liyun, Mr. Chen Changhua and Mr. Dai. The chairperson of the Remuneration Committee is Dr. Ru Liyun. The primary duties of the Remuneration Committee include, among others, the following:

- contemplating the criteria for appraising Directors and senior management members, conducting the appraisal, and submitting the appraisal reports to the Board;
- reviewing the system and policy of our remuneration management, contemplating and reviewing the policy and plan for all Directors' and senior management's remuneration and contemplating the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board;
- reviewing and approving compensations payable to executive Directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate.

Nomination Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Nomination Committee consists of three Directors, being Mr. Xu, Dr. Ru Liyun and Mr. Chen Changhua. The chairperson of the Nomination Committee is Mr. Xu. The primary duties of the Nomination Committee include, among others, the following:

- reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of our Company;
- formulating the criteria and procedures for selecting Directors and senior management members, and making recommendations to the Board;
- extensively identifying qualified candidates for Directors and senior management members, and making recommendations to the Board;
- conducting the preliminary examination of qualifications of candidates for directorships and senior management positions, and making recommendations to the Board on the selection; and
- assessing the independence of independent non-executive Directors.

DIRECTORS' INTEREST

Except as disclosed in this prospectus, each of the Directors and members of the senior management (i) had no other relationship with any of the Directors and senior management as of the Latest Practicable Date; and (ii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. For the Directors' interests in the Shares within the meaning of Part XV of the SFO, see "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interest — (a) Disclosure of interest of Directors and chief executive of our Company."

DIRECTORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, (i) Mr. Zhang Jianguo was a director and the president of Wutong Holding, a leading communications intelligent manufacturing company and internet information service provider in the PRC primarily engaging in provision of mobile information service, digital marketing service and communication intelligent manufacturing services; and (ii) Mr. Wang Jianshuo was the chairman of the board of Baixing Net, and together with the persons acting in concert with him, held approximately 40.84% of the registered capital of Baixing Net, which primarily operates one of the largest classified information internet platforms in the PRC (i.e. www.baixing.com) that enables local merchants and consumers to exchange information and conduct business with each other. As the principal business activities and the business focus of each of Wutong Holding and Baixing Net are fundamentally different from that of our Group, there is no direct competition between our Group and each of Wutong Holding and Baixing Net in this respect.

In addition, (i) Wutong Holding also carries out data marketing business at its subsidiary level, including programmatic traffic acquisition bidding and advertising agency services; and (ii) Baixing Net also engages in information stream business with a focus on traffic distribution as an advertising agency, both of which are similar to the online marketing solutions business of our Group (collectively, the “**Similar Businesses**”).

However, our Directors are of the view that there is neither any substantial competition between the business of our Group and the Similar Businesses, nor any material conflict of interests arising from the abovementioned Mr. Zhang Jianguo’s and Mr. Wang Jianshuo’s interest and/or position in Wutong Holding and Baixing Net based on the following reasons:

- *No substantial business competition.*
 - (i) *Different business models.* The business model of each of the Similar Businesses is different from that of the online marketing solutions business of our Group in terms of, among others, the direct customer structure and/or the category and scope of services. We provide one-stop online marketing solutions covering planning, launching and managing advertising campaigns supported by our in-house content production capabilities, and our direct customers are primarily advertisers, whilst (a) Wutong Holding primarily provides programmatic traffic acquisition bidding and advertising agency services and Baixing Net primarily provides traffic distribution services, both with relatively smaller scope of content production involved; and (b) in particular, Baixing Net acquires a significant portion of their end advertisers through the advertising agencies.
 - (ii) *Enormous and fragmented market with large number of participants.* The online marketing market in the PRC, in which the Similar Businesses and our online marketing solutions business are operated, is an open market of a significantly large scale and fragmented with large number of participants. According to iResearch, the total market size of the online marketing market in the PRC as measured by the total advertising revenue was RMB646.4 billion in 2019 and is expected to further grow to RMB793.2 billion in 2020, and neither our online marketing solutions business nor any of the Similar Businesses accounts for any significant share in such market. Therefore, there is no direct competition between the business of our Group and the Similar Businesses, and any potential competition faced by our Group from the Similar Businesses is no different from the competition with an independent third party participating in the online marketing market.

DIRECTORS AND SENIOR MANAGEMENT

- *No material conflict of interests.*
 - (i) *Non-executive roles of the relevant Directors.* As confirmed by Mr. Zhang Jianguo and Mr. Wang Jianshuo, each of them merely plays a non-executive role in the aforementioned business segment of Wutong Holding and Baixing Net, respectively, without any participation in the daily management or operation of such business segment. In addition, both of them are non-executive Directors of our Company and have no access or authorities to determine any of our business affairs. As such, their non-executive roles in our Group do not have any significant influence over our business operations or our decision-making process.
 - (ii) *Corporate governance structure.* Our Company has a board of directors that functions independently of Wutong Holding and Baixing Net. In particular, we have appointed three independent non-executive Directors, representing one-third of the members of the Board, and we have adopted relevant corporate governance measures to manage potential conflict of interests, including, among others, where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting. Such governance structure will enable us to balance any potential conflict of interests and to safeguard and represent the interests of our Group and the Shareholders as a whole.

Except as disclosed herein, none of the Directors are interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business under Rule 8.10(2) of the Listing Rules.

OTHER DISCLOSURE UNDER RULE 13.51(2) OF THE LISTING RULES

Some of our Directors once served in certain companies which were voluntarily dissolved by their shareholders through de-registrations under the PRC Company Law as these companies had never been in operation or had ceased to carry out their business operations. Details are set out in the following table.

Name of the Director	Name of the company	Position previously hold	Nature of business before de-registration
Mr. Wang	Tongxiang Wutong Luoxiang Luggage & Bags Co., Ltd.* (桐鄉市梧桐羅箱皮包行)	person-in-charge	Retail of luggage and bags
Mr. Xu	Shanghai Yichuang Talents Consulting Co., Ltd.* (上海益創人才諮詢有限公司)	executive director	Provision of talents consulting services (excluding agency services)
Mr. Qin	Shanghai Hanmiao Culture Innovation Studio* (上海瀚渺文化創意工作室)	person-in-charge	Provision of culture communication and planning services
Mr. Dai	Xihe (Shanghai) Culture Communication Co., Ltd* (昔禾(上海)文化傳播有限公司)	supervisor	Provision of multimedia display and stage designing services

DIRECTORS AND SENIOR MANAGEMENT

Name of the Director	Name of the company	Position previously hold	Nature of business before de-registration
Mr. Wang Jianshuo	Lichen Business Information Consulting (Shanghai) Co., Ltd. Baoshan Branch* (曆宸商務信息諮詢(上海)有限公司寶山分公司)	person-in-charge	Provision of business management consulting services
	Lichen Business Information Consulting (Shanghai) Co., Ltd. Hangzhou Branch* (曆宸商務信息諮詢(上海)有限公司杭州分公司)	person-in-charge	Provision of business management consulting services
	Lichen Business Information Consulting (Shanghai) Co., Ltd. Xuhui No.2 Branch* (曆宸商務信息諮詢(上海)有限公司徐匯第二分公司)	person-in-charge	Provision of business management consulting services
	Lichen Business Information Consulting (Shanghai) Co., Ltd. Xuhui No.3 Branch* (曆宸商務信息諮詢(上海)有限公司徐匯第三分公司)	person-in-charge	Provision of business management consulting services
	Shanghai Baixing Net Kijiji Co., Ltd. Xuhui Branch* (上海百姓網客齊集股份有限公司徐匯分公司)	person-in-charge	Provision of computer software development services
	Shanghai Qiaoxun Information Technology Co., Ltd* (上海巧訊信息技術有限公司)	director	Provision of talent consulting services

Each of Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai and Mr. Wang Jianshuo (each a “**Relevant Director**,” and collectively the “**Relevant Directors**”) has confirmed that there is no wrongful act on his part leading to the business cessation of the above-mentioned companies and none of these companies was insolvent at the time of its dissolution. None of the Relevant Directors is aware of any actual or potential claim that has been or will be made against him, or any pending or potential legal proceeding that he had been or might have been involved in, as a result of the dissolution and de-registration of the companies as disclosed above. Since no monetary fine or penalty has been imposed on any Relevant Director, and the dissolution and de-registration of the companies as disclosed above did not involve dishonesty or raise any concern on the integrity of any Relevant Director, the Directors (other than the Relevant Directors) and the Sole Sponsor are of the view that each Relevant Director is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

Except as disclosed herein, to the best of the knowledge, information and belief of the Directors, having made all reasonable inquiries, there were no additional matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there were no additional information relating to the Directors that are required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

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 our business growth. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, product operation, accounting and financial management, information technology and human resources. They obtained degrees in various majors, including in science and engineering, printing technology, Chinese language and literature, computer science and technology, marketing, and economics. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the Board. In addition, our Board has a wide range of age, ranging from 32 years old to 57 years old. We have also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. In particular, one of our independent non-executive Directors, three of our existing senior management and our two joint company secretaries are female upon Listing. Taking into account our existing business mode and specific needs as well as the different background of our Directors, we are of the view that the composition of our Board satisfies our board diversity policy.

Going forward, we plan to appoint one additional female Director by the end of 2025 and target to achieve 20% female representation in the Board within five years following the Listing, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when deliberating on the appointment. To develop a pipeline of potential female successors to the Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The compensation and remuneration of the Directors and members of the senior management of our Company are determined by the Shareholders' meetings and the Board as appropriate in the form of salaries and bonuses. Our Company also reimburses them for expenses which are necessary and reasonably incurred in providing services to our Company or discharging their duties in relation to the operations of our Company. When reviewing and determining the specific remuneration packages for our Directors and members of the senior management, the Shareholders' meetings and the Board take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, our Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of our Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

Our Company offers Directors and senior management members, who are also employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors receive compensation based on their responsibilities.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of remuneration paid to the Directors and members of the senior management (excluding those who are also Directors) for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were approximately RMB1.3 million, RMB1.7 million, RMB2.4 million and RMB1.4 million, respectively.

The aggregate amounts of remuneration paid to the five highest paid individuals for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were approximately RMB1.1 million, RMB1.5 million, RMB2.6 million and RMB1.3 million, respectively.

It is estimated that remuneration equivalent to approximately RMB1,507,327 in aggregate will be paid to the Directors by our Company for the year ending December 31, 2020 based on the arrangements in force as of the date of this prospectus.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the same periods.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances.

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules a false market in the Shares.

The terms of the appointment of the compliance adviser will commence on the Listing Date and is expected to end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), the following persons will have or be deemed or taken to have an interest and/or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Shares held as of the Latest Practicable Date</u>		<u>Shares held immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme)</u>	
		<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
PraxisIFM Nerine Fiduciaries (Hong Kong) Limited ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾	Trustee	296,895,600	55.44%	332,638,068	41.58%
Mr. Wang ⁽²⁾⁽⁵⁾	Founder of a discretionary trust/ Interest in a controlled corporation/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
Derun Investments ⁽²⁾⁽⁵⁾	Founder of a discretionary trust/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
Wang SPV ⁽²⁾⁽⁵⁾	Beneficial owner/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
Derun International ⁽²⁾	Interest in a controlled corporation	101,568,720	18.97%	113,796,307	14.22%
Mr. Xu ⁽³⁾⁽⁵⁾	Founder of a discretionary trust/ Interest in a controlled corporation/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme)	
		Number	Percentage	Number	Percentage
Quantum Computing ⁽³⁾⁽⁵⁾	Founder of a discretionary trust/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
Xu SPV ⁽³⁾⁽⁵⁾	Beneficial owner/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
FSS Investment ⁽³⁾	Interest in a controlled corporation	85,817,780	16.02%	96,149,153	12.02%
Mr. Qin ⁽⁴⁾⁽⁵⁾	Founder of a discretionary trust/ Interest in a controlled corporation/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
CareFree Planning ⁽⁴⁾⁽⁵⁾	Founder of a discretionary trust/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
Qin SPV ⁽⁴⁾⁽⁵⁾	Beneficial owner/ Interest of concert parties	215,568,080	40.25%	241,519,745	30.19%
SpringRain Planning ⁽⁴⁾	Interest in a controlled corporation	28,181,580	5.26%	31,574,285	3.95%
Mr. Dai ⁽⁶⁾	Founder of a discretionary trust/ Interest in a controlled corporation	59,926,560	11.19%	67,140,959	8.39%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme)	
		Number	Percentage	Number	Percentage
Global Awesomeness ⁽⁶⁾	Founder of a discretionary trust	59,926,560	11.19%	67,140,959	8.39%
Dai SPV ⁽⁶⁾	Beneficial owner	59,926,560	11.19%	67,140,959	8.39%
Baxter Investment ⁽⁶⁾	Interest in a controlled corporation	59,926,560	11.19%	67,140,959	8.39%
Kijiji ⁽⁷⁾	Beneficial interest	69,568,800	12.99%	77,944,002	9.74%
Baixing Net ⁽⁷⁾	Interest in a controlled corporation	69,568,800	12.99%	77,944,002	9.74%
Mr. Wang Jianshuo ⁽⁷⁾	Interest in a controlled corporation	69,568,800	12.99%	77,944,002	9.74%
Wutong Holding	Beneficial interest	53,682,030	10.02%	60,144,666	7.52%
Guzon Asset ⁽⁸⁾	Beneficial interest	51,435,600	9.60%	57,627,795	7.20%
Mr. Chen Shengfei ⁽⁸⁾	Interest in a controlled corporation	51,435,600	9.60%	57,627,795	7.20%
Jingheng Jianyong ⁽⁹⁾	Beneficial interest	36,120,000	6.74%	40,468,390	5.06%
Beijing Jingheng ⁽⁹⁾	Interest in a controlled corporation	36,120,000	6.74%	40,468,390	5.06%
Mr. Song Lingjie ⁽⁹⁾	Interest in a controlled corporation	36,120,000	6.74%	40,468,390	5.06%
Ms. Liu Yongyan ⁽⁹⁾	Interest in a controlled corporation	36,120,000	6.74%	40,468,390	5.06%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) PraxisIFM Nerine Fiduciaries (Hong Kong) Limited is the trustee of the Family Trusts, the discretionary family trusts set up by our Ultimate Controlling Shareholders, Mr. Dai, and Mr. Ru respectively. Therefore, PraxisIFM Nerine Fiduciaries (Hong Kong) Limited is deemed to be interested in the Shares directly held by Wang SPV, Xu SPV, Qin SPV, Dai SPV, and Ru SPV by virtue of the SFO.
- (2) Wang SPV is wholly owned by Derun International, which is in turn the holding vehicle of the Trustee of The Longhills Trust. The Longhills Trust is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, each of Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments), Derun Investments (as the founder of The Longhills Trust), Derun International (as the sole shareholder of Wang SPV) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.
- (3) Xu SPV is wholly owned by FSS Investment, which is in turn the holding vehicle of the Trustee of The FS Trust. The FS Trust is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, each of Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing), Quantum Computing (as the founder of The FS Trust), FSS Investment (as the sole shareholder of Xu SPV) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.
- (4) Qin SPV is wholly owned by SpringRain Planning, which is in turn the holding vehicle of the Trustee of The MH's Family Trust. The MH's Family Trust is set up by Mr. Qin (as the economic settlor and the protector) and CareFree Planning (as the settlor). CareFree Planning is the Offshore Holding Company wholly owned by Mr. Qin. Therefore, each of Mr. Qin (as the founder of The MH's Family Trust and the sole shareholder of CareFree Planning), CareFree Planning (as the founder of The MH's Family Trust), SpringRain Planning (as the sole shareholder of Qin SPV) is deemed to be interested in the Shares directly held by Qin SPV by virtue of the SFO.
- (5) Pursuant to the Acting-in-concert Agreement, our Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin), together with their respective Offshore Holding Companies (i.e. Derun Investments, Quantum Computing and CareFree Planning) and the Direct Holding SPVs of their respective Family Trust (i.e. Wang SPV, Xu SPV and Qin SPV), have confirmed that they had and would continue to act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of our Group. See "History, Reorganization and Corporation Structure — Reorganization — Acting in Concert Arrangement" for details. As such, Mr. Wang, Mr. Xu and Mr. Qin, together with Derun Investments, Quantum Computing and CareFree Planning, are all deemed to be interested in the total Shares directly held by Wang SPV, Xu SPV and Qin SPV by virtue of the SFO.
- (6) Dai SPV is wholly owned by Baxter Investment, which is in turn the holding vehicle of the Trustee of The RGRGU Trust. The RGRGU Trust is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness), Global Awesomeness (as the founder of The RGRGU Trust), Baxter Investment (as the sole shareholder of Dai SPV) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.
- (7) Kijiji is a wholly-owned subsidiary of Baixing Net. As of the Latest Practicable Date, Mr. Wang Jianshuo, a non-executive Director, is entitled to exercise the voting rights attached to approximately 40.84% shares of Baixing Net which are directly held by himself and three entities (i.e. Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi). Each of Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi is a limited partnership established in the PRC, the sole general partner of which is Mr. Wang Jianshuo. Therefore, Baixing Net and Mr. Wang Jianshuo are deemed to be interested in the Shares directly held by Kijiji by virtue of the SFO.
- (8) Guzun Asset is wholly owned by Mr. Cheng Shengfei (陳聖飛). Therefore, Mr. Cheng Shengfei is deemed to be interested in the Shares directly held by Guzun Asset by virtue of the SFO.
- (9) Jingheng Jianyong is controlled by its general partner Beijing Jingheng, which is in turn owned by Ms. Liu Yongyan (劉勇燕) as to 90%. Mr. Song Lingjie (宋靈潔) is a limited partner of Jingheng Jianyong holding approximate 41.96% (more than one third) interests therein. Therefore, Beijing Jingheng, Mr. Song Lingjie and Ms. Liu Yongyan are deemed to be interested in the Shares directly held by Jingheng Jianyong by virtue of the SFO.

Save as disclosed above and in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders", our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the Global Offering.

Authorized Share Capital

	Nominal value
As of the Latest Practicable Date and upon completion of the Capitalization Issue and the Global Offering	
3,000,000,000 Shares of US\$0.00005 each	US\$150,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme):

	Nominal value	Approximate percentage to total issued share capital
	US\$	
535,529,083 Shares in issue as of the date of this prospectus	26,776.45415	66.94%
64,470,917 Shares to be issued pursuant to the Capitalization Issue	3,223.54585	8.06%
200,000,000 Shares to be issued pursuant to the Global Offering	10,000	25.00%
800,000,000 Total	40,000	100%

ASSUMPTION

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme). It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

POST-IPO SHARE OPTION SCHEME

On November 17, 2020, we adopted the Post-IPO Share Option Scheme. For more detail, please see “Appendix IV — Statutory and General Information — D. Post-IPO Share Option Scheme.”

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) sub-divide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may reduce or redeem its share capital by special shareholders' resolution. For more details, see "Appendix III — Summary of the Constitution of Our Company and the Cayman Companies Law."

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme); and
- (ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see "Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of our Shareholders passed on November 17, 2020."

SHARE CAPITAL

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 Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of our Shareholders passed on November 17, 2020.”

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 included in the Accountants' Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading short video marketing solutions provider and an online content services provider focusing on pan-entertainment in China. According to iResearch, we were the third largest online marketing solutions provider in China in terms of gross billing generated from short video advertisements in 2019 with a market share of 3.4%. We also operate a pan-entertainment-oriented content platform through our *Huabian* website and its mobile terminal, presenting attention catching pan-entertainment articles and photos to internet users. In addition, we produce quality and appealing content for audiences and advertisers, such as short videos, movie and television stars interview programs as well as entertainment news programs. We deliver our online marketing solutions primarily through top online publishers in China, such as Douyin, Huoshan, Xigua Video and Kuaishou.

We generate revenue primarily from providing (i) online marketing solutions to advertisers and advertising agencies, including user traffic acquisition, ad creatives production, and ad performance optimization; and (ii) advertising spaces on our *Huabian* Platform to ad networks and advertisers. We charge our advertising customers for our online marketing solutions primarily measured by a mix of oCPM, oCPC and CPC, while we acquire user traffic from our media partners to place our advertisements online and pay traffic acquisition costs based primarily on the same mechanism. In addition, during the Track Record Period, we charged ad networks primarily based on CPM, and charged advertisers primarily based on CPT or CPA, for the advertising spaces we provide on our *Huabian* Platform. We also began to generate revenue from providing product placement opportunities in our short video KOL programs for advertisers to market their products or services since January 2020.

Launched in 2013, our online marketing solutions business helps our advertising customers acquire high quality traffic from top online publishers, produce appealing and attention catching ad creatives to attract target consumers, and optimize ad campaign performance leveraging our big data analytics and AI capabilities, to improve the marketing efficiency for our advertisers.

Launched in 2012, our self-operated content platform, *Huabian* Platform, aggregates pan-entertainment articles and photos from professional media, talent agencies and self-media accounts, and presents real-time customized and popular feeds to visitors. We provide advertising spaces on our *Huabian* Platform to place text and image in-feed advertisements for ad networks and advertisers. In 2019, we also initiated two short video KOL programs featuring television and movie star interviews and entertainment news to expand our pan-entertainment coverage.

FINANCIAL INFORMATION

We have experienced rapid growth since 2017 benefiting from the rise of short videos. During the Track Record Period, our revenue increased significantly from RMB235.4 million in 2017 to RMB2,313.0 million in 2019, representing a CAGR of 213.5%, and our profit for the year increased from RMB33.0 million in 2017 to RMB72.9 million in 2019, representing a CAGR of 48.6%. Given the technological development of network infrastructure and the continually reduced mobile internet traffic costs per GB that collectively led to the speedy growth of short video audience base, we have strategically shifted our focus to online marketing solutions, from which our revenue accounted for approximately 70.4%, 94.5%, 98.7% and 98.9%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

BASIS OF PRESENTATION

Pursuant to the Reorganization, the details of which are set out in “History, Reorganization and Corporate Structure” in this prospectus, our Company became the holding company of the companies now comprising our Group on March 30, 2020.

Netjoy Network provides value-added telecommunications services and radio and television programs production and operation services to customers. Due to regulatory restrictions on foreign ownership in providing value-added telecommunications services and prohibition on foreign ownership in providing radio and television programs production and operation services in the PRC, the wholly-owned subsidiary of our Company, Yunxiang Information (the “WFOE”) has entered into the relevant Contractual Arrangements with Netjoy Network and its respective registered equity holders. The Contractual Arrangements enable the WFOE to exercise effective control over Netjoy Network and obtain substantially all economic benefits of Netjoy Network. Accordingly, Netjoy Network is controlled by our Company based on the Contractual Arrangements though our Company does not have any direct or indirect equity interest in Netjoy Network. Details of the Contractual Arrangements are disclosed in “Contractual Arrangement” in this prospectus.

The Reorganization only involved inserting new holding entities, including the WFOE, at the top of Netjoy Network, the then holding company of our Group, and has not resulted in any change of economic substances. Accordingly, the historical financial information of our Group has been presented on a consolidated basis as a continuation of Netjoy Network as if our Company had been the holding company of Netjoy Network at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period are presented as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as of December 31, 2017, 2018 and 2019 and June 30, 2020 have been prepared to present the assets and liabilities of the companies comprising our Group, as if the current group structure had been in existence at those dates. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the following are key factors that affect our results of operations:

The Evolving Mobile Internet Market

China’s internet market, especially the mobile internet market, has experienced rapid growth and entered into a steady growth phase in recent years. The number of mobile internet users and the daily time

FINANCIAL INFORMATION

they spent online have grown and are estimated to further grow in the future. In addition, due to the advancement of information technology infrastructure, the average traffic cost per GB for mobile internet has decreased significantly in the past five years, and along with the introduction of 5G, it is expected to sharply decrease in the future, which renders short video further affordable and accessible. As a result, according to iResearch, the size of short video content market has increased at a CAGR of 401.5% from RMB0.2 billion in 2015 to RMB126.5 billion in 2019, and is expected to continue to increase at a CAGR of 35.3% from RMB211.5 billion in 2020 to RMB709.5 billion in 2024.

Benefiting from the steady growth of mobile internet market and the rapid growth of short video market, we experienced remarkable growth, with our revenue increasing from RMB235.4 million in 2017 to RMB1,186.2 million in 2018 and further to RMB2,313.0 million in 2019, representing a CAGR of 213.5%. We expect that the evolving mobile internet market and the continuously growing short video market will support our organic and profitable future growth.

Growth of Our Advertisers Base and Their Spending

Our results of operations are affected by the growth and diversity of our advertiser base and the spending of each advertiser. As we provide advertising services and advertising spaces to advertisers, the growth of our revenue depends largely on our ability to continue to expand our advertiser base, and to attract them to allocate more advertising budgets with us. Our advertisers operate in a wide array of industries, including online gaming, financial services, e-commerce, internet services, advertising and culture & media. Our diversified advertiser base lowers the risks of a single business when a particular industry is restricted or prohibited by laws or regulations. Due to our leading market position and track record, the number of our direct advertisers increased from approximately 558 in 2017 to approximately 669 in 2019, representing a CAGR of 9.5%. The average spending of each advertiser increased from approximately RMB0.5 million in 2017 to approximately RMB3.4 million in 2019, representing a CAGR of 160.8%.

Our ability to increase the spending of our advertisers depends on various key factors, including (i) our content production capability to produce appealing and attention catching advertisements that attract and accumulate more audiences; (ii) our continuous technological innovation to provide more precise advertising services; and (iii) our insights into the latest market trends and advertisers' evolving needs and requirements.

Our Ability to Expand Paying Consumers Base and Enhance Monetization Efficiency

As we generate revenue primarily from providing short video advertisements through online publishers as well as advertising spaces on our *Huabian* Platform for our advertisers to market their products or services, the number of paying consumers is crucial to our advertisers' business, which in turn has affected and will continue to affect our reputation, results of operations and future prospects. We provide quality and attention catching advertisements to help our advertisers to attract, retain and convert potential paying consumers. We also cooperate with industry leading online publishers to acquire user traffic and optimize campaign performance leveraging our big data analytics and AI capability to improve the marketing efficiency for our advertisers. Specifically, our advertising tools engage users through appealing advertisements, thereby directing them to the mobile internet page that our advertisers designate to present their products or services. The enhancement of our services' monetization efficiency will, on one hand, help our advertisers to reach a broader target consumers base and better achieve their marketing goals, and on the other hand, attract more advertisers for us. Our mix of pricing models, such as oCPM, oCPC, CPC, CPT and CPA also has an impact on the campaign performance and the monetization efficiency of our advertisements, which in turn would affect our ability to attract and retain advertisers. See "Business — Our Online Marketing Solutions Business — Pricing Models." The click-through rate of our short video advertisements was 2.5% in 2019, compared to a general click-through rate of less than 2.0% in the online marketing industry in 2019, according to iResearch.

FINANCIAL INFORMATION

In addition, a large and expanding paying consumers base provides an invaluable source of big data for us which we can leverage to better understand the paying consumers' needs and preferences, and, to an extent, help our advertisers to effectively and efficiently identify their target consumers. We are, therefore, able to further refine our service offerings to improve our advertisers' overall experience, which is pivotal to the success of our business and future growth.

Growth in and Relationship with Our Media Partners

We acquire user traffic from our media partners to place our advertisements online and pay traffic acquisition costs to them. Our results of operations are affected by our ability to acquire high volume and cost-efficient traffic timely and collect raw data from our media partners. We strive to expand our media partner network, in particular those top online publishers or other leading content distribution channels. We have maintained well-established relationships with the six largest short video platforms in China. In addition, we seek to manage the traffic acquisition costs that we pay to media partners so as to increase our profit margin. From time to time, media partners may grant to us rebates (i) in the form of prepayments for future traffic acquisition; (ii) to net off the trade payables we owed to them; or (iii) in cash, calculated primarily based on our gross spending. Such rebates are recorded as reduction of cost of sales under gross method and as revenue under net method in our consolidated statements of profit or loss, which can affect our gross profit margin and increase online publishers' stickiness to us in the long run. See “— Critical Accounting Policies and Estimates — Revenue Recognition” for details regarding our revenue recognition policy of gross method and net method. However, any significant fluctuations in rebates from media partners may have a significant impact on our revenue and results of operations.

In particular, our purchases from our largest supplier, Supplier A, accounted for approximately 40.5%, 86.4%, 88.3% and 87.1% of our total purchases of user traffic for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. In addition, our gross billing attributable to Supplier A accounted for approximately 84.8% of our total gross billing for six months ended June 30, 2020. We have benefited significantly from and expect to continue doing so from Supplier A's massive audience base and strong brand, both of which provide us with credibility and a broad marketing reach. See “Risk Factors — Risks Relating to Our Business and Industry — We acted as a middleman between advertising customers and Supplier A and relied on Supplier A to acquire user traffic for our advertisers during the Track Record Period. If we fail to maintain our business relationship with Supplier A or if Supplier A loses its leading market position or popularity, our business, financial condition and results of operations could be materially and adversely affected.”

Given our well-established relationship with certain top online publishers, we are able to collect and store raw data from them, which is critical to our business. We conduct precise profiling analysis with these raw data leveraging our big data analytics and AI capabilities to optimize advertising campaign and increase our advertising efficiency.

Diversified Service Offerings and Monetization Opportunities

We generate revenue primarily from providing online marketing solutions to advertisers and advertising agencies, and advertising spaces on our *Huabian* Platform to ad networks and advertisers. Our gross profit margin was affected by the mix of our service offerings. We derived a much larger portion of revenue from online marketing solutions business with a low gross profit margin, which in turn led to our gross profit margin as a whole being at a low level. Our gross profit margin of online marketing solutions business was 8.7%, 7.1%, 6.7% and 10.5% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, while our gross profit margin as a whole was 21.1%, 9.1%, 6.9% and 10.6% for the same years, respectively. In addition, our net asset turnover ratio, calculated as dividing our revenue by the arithmetic mean of the opening and closing balances of net assets multiplied by 100%, increased from 4.04 in 2017 to 8.38 in 2018 and further to 9.44 in 2019, demonstrating our growing ability to generate revenue using our net assets. We strive to explore new monetization opportunities so as to broaden our service offerings, increase our gross profit margin, and

FINANCIAL INFORMATION

achieve organic future growth. In particular, we have established a content production, exchange and distribution platform connecting the advertisers directly with content providers, through which we expect to charge annual membership service fees for providing content exchange transactions services to advertisers and content providers. See “— Business — Our Strategies — Continue to unleash the monetization potential of our content production, exchange and distribution platform that offers full cycle services” for details.

Business Innovation and Technological Development

Our capability to innovate new businesses is the foundation of our significant growth during the Track Record Period. To capture the opportunities offered by the rise of short videos, our visionary management team strategically shifted our focus to online marketing solutions, in particular, short video marketing. Through launching short video marketing solutions in February 2017, we achieved huge success, with revenue from online marketing solutions business increasing significantly at a CAGR of 271.0% from RMB165.8 million in 2017 to RMB2,282.3 million in 2019. We will continue to develop new business models to capture the opportunities in the evolving online marketing industry.

Our technological capability and its development are essential to our competitiveness and overall operational efficiency. Leveraging our robust big data analytics and AI capabilities, we are able to effectively analyze raw data, conduct precise profiling analysis, and optimize advertising campaign on a real-time basis to achieve higher advertising effectiveness and maximize the effectiveness of their advertisement. As a technology-driven company, we have developed our proprietary DMP to support our internal advertising campaign management system as well as content management and distribution system. We are committed to continually enhancing and innovating our information technology infrastructure and technologies to achieve higher advertising effectiveness and operational efficiency. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our research and development expenses amounted to RMB5.5 million, RMB6.9 million, RMB9.9 million and RMB4.4 million, respectively.

Ability to control our costs and expenses

During the Track Record Period, traffic acquisition costs represented the largest component of our cost of sales, which accounted for 78.3%, 90.4%, 92.3% and 87.9%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in traffic acquisition costs on our net profit for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentage)									
% change in traffic acquisition costs										
+15%	(25,785)	(78.1)	(149,817)	(215.6)	(295,258)	(404.8)	(165,713)	(466.2)	(98,713)	(172.9)
+10%	(17,190)	(52.1)	(99,878)	(143.7)	(196,839)	(269.9)	(110,475)	(310.8)	(65,808)	(115.3)
+5%	(8,595)	(26.0)	(49,939)	(71.9)	(98,419)	(134.9)	(55,238)	(155.4)	(32,904)	(57.6)
-5%	8,595	26.0	49,939	71.9	98,419	134.9	55,238	155.4	32,904	57.6
-10%	17,190	52.1	99,878	143.7	196,839	269.9	110,475	310.8	65,808	115.3
-15%	25,785	78.1	149,817	215.6	295,258	404.8	165,713	466.2	98,713	172.9

FINANCIAL INFORMATION

Meanwhile, employee benefits expenses constituted the second largest component of our cost of sales, and the largest component of our selling and distribution expenses, research and development expenses as well as administrative expenses. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our total employee benefits expenses (including those recorded in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses) accounted for approximately 3.2%, 1.4%, 1.9% and 2.8%, respectively, of our total revenue for the same years. The number of our employees has been increasing along with the growth of our business, and the increase in the employee benefits expenses was primarily attributable to the increases in both the headcount and the general compensation level to recruit and retain qualified management and key employees. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in employee benefits expenses on our net profit for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentage)									
% change in employee benefits expenses										
+60%	(4,154)	(12.6)	(9,562)	(13.8)	(24,622)	(33.8)	(9,203)	(25.9)	(12,754)	(22.3)
+45%	(3,116)	(9.4)	(7,172)	(10.3)	(18,466)	(25.3)	(6,902)	(19.4)	(9,565)	(16.8)
+30%	(2,077)	(6.3)	(4,781)	(6.9)	(12,311)	(16.9)	(4,601)	(12.9)	(6,377)	(11.2)
+15%	(1,039)	(3.1)	(2,391)	(3.4)	(6,155)	(8.4)	(2,301)	(6.5)	(3,188)	(5.6)
-15%	1,039	3.1	2,391	3.4	6,155	8.4	2,301	6.5	3,188	5.6
-30%	2,077	6.3	4,781	6.9	12,311	16.9	4,601	12.9	6,377	11.2
-45%	3,116	9.4	7,172	10.3	18,466	25.3	6,902	19.4	9,565	16.8
-60%	4,154	12.6	9,562	13.8	24,622	33.8	9,203	25.9	12,754	22.3

The industry we operate in is rapidly changing due to constant technological developments and the evolving market trend. Our future success highly relies on our ability to attract, hire, retain and motivate seasoned employees. In particular, the constant development of our advanced technology depends on our technical talents. Experienced experts in the field of big data analytics and AI technologies are essential for us to precisely target and reach the types of audiences best suited in the advertising campaigns and improve advertising efficiency and effectiveness. In addition, our ability to expand the scope of our business and enhance the overall results of operations relies on our selling and marketing talents with deep understanding of the latest market demand and industry trend.

We expect that traffic acquisition costs as well as employee benefits expenses to continue to be our most significant costs and expenses going forward, particularly in light of the continued expansion and ramping up of our online marketing solutions business and the general increase in the average compensation level of the internet related industries. Our ability to control such costs and expenses may significantly affect our profitability.

Preferential Tax Treatments

Our income tax expenses were affected by the preferential tax treatments enjoyed by certain of our Consolidated Affiliated Entity. In particular, Netjoy Network was recognized as a “software enterprise” and as a result, it enjoyed EIT exemption in 2015 and 2016 and was entitled to a preferential EIT rate of 12.5% from 2017 to 2019. Netjoy Network will also be entitled to a preferential EIT rate of 15% as a “high and new technology enterprise” starting from 2020, which needs to be renewed upon its expiration in November 2021. Quantum Culture Media was recognized as primarily engaging in the encouraged

FINANCIAL INFORMATION

business specified in the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Income Tax (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄(試行)》) and thus is eligible for EIT exemption from 2017 to 2020. As a result, our effective income tax rate was 6.7%, 6.9%, 7.8% and 6.1% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

We also enjoy VAT rebates granted by the government to modern services enterprise starting from April 1, 2019 to December 31, 2021 to support our business operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with IFRSs, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenues and expenses during the financial reporting period. 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. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment.

For details of our significant accounting policies, estimates, assumption and judgements, see Notes 2 and 3 in Appendix I to this prospectus.

Revenue Recognition

We generate revenue primarily from providing (i) online marketing solutions and (ii) pan-entertainment content services. The description of principal activities from which we generate revenue is as follows:

Online Marketing Solutions

The method we recognize revenue from our online marketing solutions business is affected by the role under each particular contract with customers. For contracts where we act as a principal, we recognize revenue on a gross basis, while for contracts where we act as an agent, we recognize revenue on a net basis. In determining whether we are acting as a principal or as an agent in the provision of online marketing solutions, it requires our management's judgements and considerations of all relevant facts and circumstances. If we are the primary obligor in a transaction, or has control in determining prices or selecting online publishers, we are deemed as a principal and record revenue on a gross basis. Otherwise, we are deemed as an agent and record the net amount earned as commissions from the services we provide. Specifically, for all-in-one service and pan-entertainment content service, we recognize revenue on a gross basis; while for advertisement distribution service, we recognize revenue on a net basis. We also utilize a combination of pricing models, consisting mainly of oCPM, oCPC, CPC, CPM, CPT, or CPA.

FINANCIAL INFORMATION

All-in-one Service (Gross basis)

We provide one stop online marketing solutions, including traffic acquisition from top online publishers, content production, raw data analysis and advertising campaign optimization, to our advertisers. We charge the advertisers primarily based on oCPM, oCPC or CPC, and recognize revenue when specified action (click-throughs or display of one thousand impressions) is performed. In some circumstances, we offer rebates to our advertising customers as part of promotion activities. Media partners may also grant to us rebates (i) in the form of prepayments for future traffic acquisition; (ii) to net off the trade payables we owed to them; or (iii) in cash mainly based on the gross spending of the advertisers.

While none of the factors individually are considered presumptive or determinative, in this arrangement we are the primary obligor and responsible for (i) identifying and contracting with third-party advertisers which we view as customers, and delivering the specified integrated services to the advertisers; (ii) bearing certain risks of loss to the extent that the cost incurred for producing contents, formulating advertisement campaign and acquiring user traffic from online publishers cannot be compensated by the total consideration received from the advertisers, which is similar to inventory risk; (iii) performing all the billing and collection activities, including retaining credit risk; and (iv) bearing the responsibility for the advertising content that we produce and place, and fulfilment of promise to provide the specified integrated services. We have control in the specified service before that service is transferred to the advertiser and act as the principal of these arrangements and therefore recognizes revenue earned and costs incurred related to these transactions on a gross basis. Under this arrangement, the rebates earned from the media partners are recorded as a reduction of cost of sales.

Advertisement Distribution Service (Net basis)

We also provide traffic acquisition service only to distribute the advertisements produced by the advertisers online. The advertisements are published on the targeted online publishers determined by the advertisers. We charge our advertising customers mainly based on oCPM or oCPC, and recognize revenue when specified action (click-throughs or display of one thousand impressions) is performed.

We are not the principal in this arrangement as we do not control the specified service before that service is transferred to the advertiser, because (i) we do not provide the all-in-one integrated services. Online publisher, rather than us, is primarily responsible for providing the media publishing service; (ii) the online publishers are identified and determined by the advertisers, rather than us. Therefore, we are not the principal in executing these transactions. We report the amount received from the advertisers and the amounts paid to the online publishers related to these transactions on a net basis. Under this arrangement, media partners may also grant us rebates which are recorded as revenue in our consolidated statements of profit or loss.

The rebates offered by us to the advertisers under the abovementioned two business models are recognized as a deduction of revenue at the time when such rebates are granted.

Pan-entertainment Content Services

We also provide (i) advertising spaces to advertising customers through our self-operated *Huabian* Platform; and (ii) product placement opportunities in our short video KOL programs for advertisers to market their products or services. We recognize revenue on a gross basis when relevant services are provided to our advertising customers pursuant to the advertising contracts, as we own the advertising spaces on our *Huabian* Platform and in our short video KOL programs, and bear the sole responsibility for producing or distributing the advertisement. In particular, we charge ad networks primarily based on CPM, and charge advertisers primarily based on CPA or CPT. Our revenue earned based on CPM or CPA is recognized when specified action (such as display of one thousand impressions, download, installation

FINANCIAL INFORMATION

or registration) is performed, while our revenue earned based on CPT is recognized on a pro rata basis over a specific period of time contractually agreed by our customers and us for placing the advertisement.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, 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 recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix to calculate the expected credit losses (the "ECLs") for trade receivables. The provision rates are based on aging analysis of customers that have similar loss patterns.

The provision matrix is initially based on our historical observed default rates. We 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 are 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 ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables is disclosed in Note 18 in Appendix I to this prospectus.

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.

FINANCIAL INFORMATION

In certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Fair Value of Financial Assets

During the Track Record Period, we had investments in short-term wealth management products which were categorized within level 3 of the fair value hierarchy. The fair value of wealth management products is determined based on discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

In relation to the valuation of our financial assets categorized within the level 3 of fair value hierarchy, our Directors adopted the following procedures: (i) reviewed the terms of the relevant investments; (ii) made reference to the interest rate published by the People's Bank of China in determining the discount rate for the valuation; (iii) reviewed the fair value measurement assessment of the relevant investments presented by our finance personnel and carefully considered all information available and applied applicable valuation techniques in determining the valuation of the relevant investments; and (iv) engaged independent financial advisers and professional valuers when necessary. Based on the above procedures, our Directors are of the view that the valuation of our financial assets categorized within the level 3 of fair value hierarchy is fair and reasonable, and our financial statements have been properly prepared.

Details of the fair value measurement of the level 3 financial assets, particularly the fair value hierarchy, the valuation techniques and significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 33 to the Accountants' Report in Appendix I to this prospectus. The Reporting Accountants' opinion on the historical financial information of our Group during the Track Record Period as a whole is set out on page I-2 of the Accountants' Report in Appendix I.

In relation to the fair value assessment of the financial assets requiring level 3 measurements under the fair value classification, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) reviewing relevant notes in the Accountant's Report as contained in Appendix I to this prospectus; (ii) reviewing the relevant valuation reports with respect to the financial assets; (iii) obtaining and reviewing the relevant agreements regarding the financial assets; and (iv) discussing with the Company and the Reporting Accountants the key basis and assumptions for the valuation of the financial instruments. Having considered the work done by the Company's management, the Directors and the Reporting Accountants, and the relevant due diligence done as stated above, nothing material has come to the Sole Sponsor's attention that indicates that the Directors have not undertaken independent and sufficient investigation and due diligence.

Contract Liabilities

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

Investment in Film

The amount paid to a third-party film production company by the Group in order to obtain shares of copyrights and/or distribution rights of films is recognized as prepayments for investment in film and reclassified as intangible assets upon the receipt of the license for distribution of films.

FINANCIAL INFORMATION

Current and Deferred Tax

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether we are subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes us to change our judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details regarding the current and deferred tax are set out in Notes 10 and 17 in Appendix I to this prospectus.

Government Grants

Government grants are recognized 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 recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statements of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Adoption of IFRS 9, IFRS 15 and IFRS 16

We have adopted a full retrospective application of IFRS 9, IFRS 15 and IFRS 16, which we have applied on a consistent basis throughout the Track Record Period. We have assessed the effect of adopting IFRS 9, IFRS 15 and IFRS 16 on our financial statements and identified the following areas that have been affected:

IFRS 9

IFRS 9 “Financial Instruments” replaces IAS 39 and requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses. The adoption of expected credit loss model under IFRS 9 did not have a material impact on the impairment loss allowance for our financial assets measured at amortized cost during the Track Record Period as compared with the incurred loss model under IAS 39.

IFRS 15

IFRS 15 “Revenue from Contracts with Customers” replaces IAS18 and IAS11 and requires separate presentation of contract assets and contract liabilities in the balance sheet. This has resulted in some reclassifications in relation to our unsatisfied performance obligations. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our contract liabilities of RMB5.0 million, RMB16.3 million, RMB37.4 million and RMB62.8 million, respectively, should have been presented as deferred revenue in our balance sheet if IAS18 was applied throughout the Track Record Period.

IFRS 16

IFRS 16 “Leases” provides new provisions for the accounting treatment of leases and requires lessees to recognize certain leases on the statements of financial position. Specifically, for any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset in our consolidated statements of financial position and depreciation of the right-of-use asset is recognized over the lease term on a straight-line basis in our consolidated statements of profit or loss. In addition, we record a lease liability representing

FINANCIAL INFORMATION

our obligation to make lease payments based on present value, calculated by using the effective interest method, in our consolidated statements of financial position and finance expenses on the lease liability is recognized in our consolidated statements of profit or loss. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recorded right-of-use assets of RMB2.1 million, RMB1.5 million, RMB4.7 million and RMB9.6 million, respectively, and lease liabilities of RMB2.2 million, RMB1.5 million, RMB4.8 million and RMB9.7 million, respectively, in our consolidated statements of financial position. For the years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, we recorded depreciation of right-of-use assets of RMB0.6 million, RMB0.7 million, RMB3.2 million and RMB2.3 million, respectively, and interest on lease liabilities of RMB0.1 million, RMB0.1 million, RMB0.3 million and RMB0.1 million, respectively, in our consolidated statements of profit or loss. The recognition of right-of-use asset and financial liability to pay rentals under IFRS 16 would have been different had IAS 17 been applied. However, the impact on the net assets and net profit is not material.

Save as disclosed above, we do not believe that the adoption of IFRS 9, IFRS 15 and IFRS 16 has any significant impact on our financial position and performance when compared to that of IAS 39, IAS 18 and IAS 17 during the Track Record Period.

DESCRIPTION OF KEY STATEMENTS OF PROFIT OR LOSS ITEMS

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

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	(RMB'000)			(unaudited)	
Revenue	235,425	1,186,172	2,313,036	1,286,522	796,965
Cost of sales	(185,720)	(1,077,913)	(2,153,747)	(1,217,549)	(712,584)
Gross profit	49,705	108,259	159,289	68,973	84,381
Other income and gains	359	1,123	15,600	5,518	11,823
Selling and distribution expenses	(1,301)	(5,910)	(7,793)	(2,781)	(2,274)
Administrative expenses	(5,658)	(13,525)	(41,561)	(13,799)	(21,656)
Impairment losses on financial assets, net .	(1,899)	(3,316)	(29,630)	(12,070)	(4,000)
Research and Development expenses	(5,522)	(6,936)	(9,923)	(5,416)	(4,370)
Other expenses	-	(2,070)	(750)	-	-
Finance costs	(341)	(2,712)	(6,524)	(1,302)	(3,163)
Share of profits and losses of associates ..	42	(304)	381	(218)	21
Profit before tax	35,385	74,609	79,089	38,905	60,762
Income tax expense	(2,387)	(5,126)	(6,155)	(3,357)	(3,686)
Profit for the year/period	32,998	69,483	72,934	35,548	57,076

FINANCIAL INFORMATION

Revenue

During the Track Record Period, we generated our revenue primarily from the provision of (i) our one-stop online marketing solutions to advertisers directly or through advertising agencies; and (ii) advertising spaces on our *Huabian* Platform to third-party ad networks and advertisers. Please see “Business — Our Business Model” for more details.

The following table sets forth our revenue by service offerings and revenue recognition method for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
							(unaudited)			
Online marketing solutions business										
Gross method	158,548	67.3	1,093,601	92.2	2,243,548	97.0	1,252,010	97.3	760,114	95.4
Net method	7,291	3.1	27,826	2.3	38,756	1.7	15,299	1.2	28,215	3.5
Sub-total	165,839	70.4	1,121,427	94.5	2,282,304	98.7	1,267,309	98.5	788,329	98.9
Pan-entertainment content services business	69,586	29.6	64,745	5.5	30,732	1.3	19,213	1.5	8,636	1.1
Total	235,425	100.0	1,186,172	100.0	2,313,036	100.0	1,286,522	100.0	796,965	100.0

Revenue from Our Online Marketing Solutions Business

We enter into annual framework agreements with our advertising customers and charge them for our online marketing solutions based primarily on a mix of oCPM, oCPC and CPC. See “Business — Our Online Marketing Solutions Business” for details. Our online marketing solutions grew rapidly during the Track Record Period, benefiting from the increasing recognition and popularity of short video marketing by both audiences and advertisers. Revenue generated from our online marketing solutions business contributed for a substantial portion of our total revenue during the Track Record Period, accounting for approximately 70.4%, 94.5%, 98.7% and 98.9%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Our advertising customers primarily include advertisers, and to a lesser extent, advertising agencies.

The table below sets forth a breakdown of revenue generated from our online marketing solutions business by type of advertising customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Advertisers	162,798	98.2	1,095,473	97.7	2,212,764	97.0	1,244,427	98.2	728,551	92.4
Advertising agencies	3,041	1.8	25,954	2.3	69,540	3.0	22,882	1.8	59,778	7.6
Total	165,839	100.0	1,121,427	100.0	2,282,304	100.0	1,267,309	100.0	788,329	100.0

The advertisers we serve operate in a wide array of industry verticals, which primarily include online gaming, financial services, e-commerce, internet services, advertising and culture & media.

FINANCIAL INFORMATION

The table below sets forth a breakdown of revenue generated from our online marketing solutions business by industry verticals for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of total	(RMB'000)	% of total	(RMB'000)	% of total	(RMB'000)	% of total	(RMB'000)	% of total
Online gaming	64,854	39.1	811,195	72.3	1,368,410	60.0	918,486	72.5	287,830	36.5
Financial services ⁽¹⁾	41,263	24.9	67,155	6.0	273,791	12.0	87,242	6.9	143,755	18.2
E-commerce	4,581	2.8	38,082	3.4	215,467	9.4	62,065	4.9	146,336	18.6
Internet services	6,405	3.9	119,911	10.7	171,640	7.5	87,721	6.9	60,303	7.6
Advertising	20,660	12.5	45,204	4.0	72,547	3.2	22,987	1.8	95,557	12.1
Culture & media	16,566	10.0	21,024	1.9	59,323	2.6	50,310	4.0	11,313	1.4
Others ⁽²⁾	11,510	6.8	18,856	1.7	121,126	5.3	38,498	3.0	43,235	5.6
Total	165,839	100.0	1,121,427	100.0	2,282,304	100.0	1,267,309	100.0	788,329	100.0

Notes:

- (1) Financial services primarily include online insurance, consumer financing and retail banking.
- (2) Others mainly include business services and healthcare.

Due to the different types of services we provide under our online marketing solutions business, we recognize our revenue either on a gross basis or on a net basis. When we provide all-in-one services and are solely responsible for the advertisement that we place and the fulfillment of the relevant advertising contracts, we act as a principal and record revenue on a gross basis; otherwise when we provide only traffic acquisition services for our advertising customers, we act as an agent and record revenue on a net basis. See “— Critical Accounting Policies and Estimates — Revenue Recognition” and Note 2.4 in Appendix I to this prospectus for more details regarding our revenue recognition policies.

The following table sets forth a breakdown of our revenue generated from online marketing solutions by revenue recognition methods for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Online marketing solutions business										
Gross method	158,548	95.6	1,093,601	97.5	2,243,548	98.3	1,252,010	98.8	760,114	96.4
Net method	7,291	4.4	27,826	2.5	38,756	1.7	15,299	1.2	28,215	3.6
Total	165,839	100.0	1,121,427	100.0	2,282,304	100.0	1,267,309	100.0	788,329	100.0

Our revenue recorded on a gross basis accounted for an increasing and a substantial portion of our total revenue from 2017 to 2019, indicating that we have acted as principal and had control in a majority of transactions with our media partners. We sometimes provide only traffic acquisition services for our advertising customers, where we act as an intermediary rather than a principal, and our revenue generated therefrom is recorded on a net basis. Under this arrangement, the rebates from the media partners calculated primarily based on the gross spending of our total traffic acquisition cost is also recorded as revenue in our consolidated statements of profit or loss. Our revenue recorded on a gross basis decreased from RMB1,252.0 million in the six months ended June 30, 2019 to RMB760.1 million in the six months ended June 30, 2020, primarily as a result of the loss of customer E which contributed RMB648.8 million

FINANCIAL INFORMATION

to our revenue in the six months ended June 30, 2019. This decrease was partially offset by our business expansion in e-commerce and advertising industries, with revenue from these two industries increasing by RMB139.8 million in the six months ended June 30, 2020. Our revenue recorded on a net basis, as a percentage of our total revenue generated from our online marketing solutions business, increased from 1.2% in the six months ended June 30, 2019 to 3.6% in the six months ended June 30, 2020, primarily due to our business expansion in e-commerce industry, where we generally provided intermediary services to advertising agencies and the revenue generated from such advertising agencies on behalf of the e-commerce advertisers was generally recorded on a net basis. This increase in revenue recorded on a net basis in the six months ended June 30, 2020 was primarily as a result of an increase of RMB18.6 million generated from e-commerce advertisers.

In addition, we may from time to time grant rebates to our advertising customers as part of our promotional activities calculated primarily based on their gross spending of our online marketing solutions, and such rebates are recognized as a deduction of revenue in our consolidated statements of profit or loss.

The following table illustrates the reconciliation of our gross billing and our revenue recorded under online marketing solutions business on a net basis during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			RMB' 000		
Gross billing	160,546	516,972	1,114,667	417,813	809,292
Less: traffic acquisition costs from media partners	153,255	489,146	1,075,911	402,514	781,077
Revenue	7,291	27,826	38,756	15,299	28,215

Our gross billing recorded under online marketing solutions business on a net basis increased from RMB160.5 million in 2017 to RMB517.0 million in 2018 and further to RMB1,114.7 million in 2019, in line with the rapid growth of our online marketing solutions business from 2017 to 2019. Our gross billing recorded under online marketing solutions business on a net basis increased from RMB417.8 million in the six months ended June 30, 2019 to RMB809.3 million in the six months ended June 30, 2020, primarily due to our business expansion in e-commerce industry. Our gross billing from e-commerce advertisers increased by 127.8% from RMB259.5 million in the six months ended June 30, 2019 to RMB591.1 million in the six months ended June 30, 2020. Our business expansion in e-commerce industry was in line with consumers' rapidly growing needs of online shopping in light of the outbreak of COVID-19, and reflected our efforts to explore business opportunities in flourishing industry verticals.

The gross margin of our gross billing reconciled on a net basis, calculated as revenue divided by gross billing, was 4.5%, 5.4%, 3.5%, 3.7% and 3.5% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. The increase in 2018 was primarily due to higher rebates, as a percentage of our gross spending, granted by Supplier A after taking into consideration of the rapid increase in total traffic acquisition costs we paid to Supplier A. The decrease in 2019 was primarily due to the lowering of rebates, as a percentage of our gross spending, by Supplier A arising from its rebate percentage adjustment, which was applicable to all of its customers.

FINANCIAL INFORMATION

Revenue from Our Pan-entertainment Content Services Business

During the Track Record Period, we also generated revenue from providing advertising spaces on our *Huabian* Platform to third-party ad networks, such as Sogou, and advertisers. Due to the rapidly evolving online marketing industry and the rise of short video platforms in 2017, we strategically shifted our focus to online marketing solutions, in particular short video marketing. Our revenue generated from pan-entertainment content services business decreased during the Track Record Period, accounting for approximately 29.6%, 5.5%, 1.3% and 1.1%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, primarily as internet users became keen to watch short videos as opposed to browsing the websites to read text and image. In the first half of 2020, our short video KOL programs, as part of our expanded pan-entertainment coverage, began to generate revenue by providing product placement opportunities for advertising customers to promote and market advertisers' products or services.

The following table sets forth a breakdown of revenue generated from our pan-entertainment content services business by service offerings:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Pan-entertainment content services business										
<i>Huabian</i> Platform	69,586	100.0	64,745	100.0	30,732	100.0	19,213	100.0	1,966	22.8
<i>Idol Answers</i>	-	-	-	-	-	-	-	-	6,670	77.2
Total	69,586	100.0	64,745	100.0	30,732	100.0	19,213	100.0	8,636	100.0

The table below sets forth a breakdown of revenue generated from our pan-entertainment content services business by type of our advertising customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Ad networks	14,186	20.4	24,387	37.7	21,078	68.6	13,317	69.3	1,436	16.6
Advertisers	55,400	79.6	40,358	62.3	9,654	31.4	5,896	30.7	7,200	83.4
Total	69,586	100.0	64,745	100.0	30,732	100.0	19,213	100.0	8,636	100.0

The following table sets forth a breakdown of the number of advertising customers and their average spending for our pan-entertainment content services for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
Gross billing (<i>RMB in thousand</i>)	55,400	40,358	9,654	5,896	7,200
Number of advertising customers	123	47	29	22	17
Average spending per advertising customer (<i>RMB</i>)	450,407	858,681	332,897	268,000	423,529

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales primarily consists of traffic acquisition costs and employee benefit expenses. During the Track Record Period, traffic acquisition costs constituted the largest portion of our cost of sales, and employee benefit expenses constituted the second largest portion of our cost of sales. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our traffic acquisition costs amounted to RMB184.3 million, RMB1,072.5 million, RMB2,134.5 million and RMB700.6 million, respectively, accounting for approximately 99.3%, 99.5%, 99.2% and 98.3%, respectively, of our total cost of sales for the same periods, which was in line with our business expansion. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our employee benefit expenses amounted to RMB1.0 million, RMB3.8 million, RMB13.9 million and RMB9.3 million, respectively, accounting for approximately 0.5%, 0.3%, 0.6% and 1.3%, respectively, of our total cost of sales for the same years, which was attributable to the increases in the number of our employees and the general compensation level of the internet related industries.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total	(RMB'000)	% of the total
Traffic acquisition cost	184,334	99.3	1,072,464	99.5	2,134,500	99.2	1,209,083	99.3	700,584	98.3
Employee benefits expenses . .	1,004	0.5	3,764	0.3	13,949	0.6	5,048	0.4	9,266	1.3
Others ⁽¹⁾	382	0.2	1,685	0.2	5,298	0.2	3,418	0.3	2,734	0.4
Total	185,720	100.0	1,077,913	100.0	2,153,747	100.0	1,217,549	100.0	712,584	100.0

Note:

(1) Others primarily comprise costs in relation to the rental of servers and the outsourcing of content production.

Traffic acquisition costs represent costs of user traffic we purchase from our media partners. Our traffic acquisition costs may vary due to a number of factors, including, among others, the specific advertising spaces, time and duration of the advertising campaigns, and the different pricing policies of online publisher. Our traffic acquisition costs accounted for a substantial portion of our total cost of sales during the Track Record Period, primarily as we generally acquired advertising traffic from top online publishers, of which the traffic acquisition costs were expensive, in line with the market practice.

From time to time, our media partners may grant to us rebates calculated primarily based on our gross spending, and such rebates under the gross method are recorded as reduction of cost of sales in our consolidated statements of profit or loss. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate amount of rebates we generated from online publishers was RMB13.4 million, RMB161.2 million, RMB322.5 million and RMB126.3 million, respectively.

Employee benefits expenses mainly consist of the salaries, bonuses, pension and other social security and welfare of our operational staff. Our in-house content production costs mainly relate to labor's efforts and are therefore accounted for as employee benefits expenses.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales by service offerings and revenue recognition methods for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	(RMB'000)	% of total	(RMB'000)	% of total	(RMB'000)	% of total	(RMB'000)	% of total	(RMB'000)	% of total
Online marketing solutions business										
Gross method	151,437	81.5	1,041,271	96.6	2,129,742	98.9	1,203,211	98.8	705,186	99.0
Net method ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Sub-total	151,437	81.5	1,041,271	96.6	2,129,742	98.9	1,203,211	98.8	705,186	99.0
Pan-entertainment content services business	34,283	18.5	36,642	3.4	24,005	1.1	14,338	1.2	7,398	1.0
Total	185,720	100.0	1,077,913	100.0	2,153,747	100.0	1,217,549	100.0	712,584	100.0

Note:

(1) When we provide only traffic acquisition services for our advertising customers, we act as an intermediary and record our revenue on a net basis and do not record cost of sales.

Gross Profit and Gross Profit Margin

Our gross profit consists of our revenue less cost of sales. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gross profit was RMB49.7 million, RMB108.3 million, RMB159.3 million and RMB84.4 million, respectively. Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gross profit margin was 21.1%, 9.1%, 6.9% and 10.6%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by service offerings and revenue recognition methods for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross Profit (RMB'000)	Gross Profit Margin %								
Online marketing solutions business										
Gross method	7,111	4.5	52,330	4.8	113,806	5.1	48,799	3.9	54,927	7.2
Net method ⁽¹⁾	7,291	100.0	27,826	100.0	38,756	100.0	15,299	100.0	28,215	100.0
Sub-total	14,402	8.7	80,156	7.1	152,562	6.7	64,098	5.1	83,142	10.5
Pan-entertainment content services business	35,303	50.7	28,103	43.4	6,727	21.9	4,875	25.4	1,239	14.3
Total	49,705	21.1	108,259	9.1	159,289	6.9	68,973	5.4	84,381	10.6

Note:

(1) When we provide only traffic acquisition services for our advertising customers, we act as an intermediary and record our revenue on a net basis and do not record cost of sales. Therefore, our gross profit margin under net method is 100.0%.

FINANCIAL INFORMATION

Our gross profit increased significantly from RMB49.7 million in 2017 to RMB108.3 million in 2018 and further to RMB159.3 million in 2019, primarily due to the rapid expansion of our online marketing solutions business benefiting from the increasing recognition and popularity of short video marketing. Our gross profit increased from RMB69.0 million in the six months ended June 30, 2019 to RMB84.4 million in the six months ended June 30, 2020, as a result of the increased gross profit of our online marketing solutions business.

Our gross profit margin decreased from 21.1% in 2017 to 9.1% in 2018 and further to 6.9% in 2019, primarily due to an increasingly higher proportion of gross profit generated from our online marketing solutions business from 2017 to 2019, whose gross profit margin was lower than that of our pan-entertainment content services business. Our gross profit margin increased from 5.4% in the six months ended June 30, 2019 to 10.6% in the six months ended June 30, 2020, in line with the increased gross profit margin of our online marketing solutions business which contributed a substantial portion of our total gross profit.

Our online marketing solutions business recorded relatively low gross profit margin, amounting to approximately 8.7%, 7.1%, 6.7%, 5.1% and 10.5% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, primarily as the traffic we acquired from top online publishers was generally expensive, which is an industry norm. The gross profit margin of our online marketing solutions business decreased from 8.7% in 2017 to 7.1% in 2018 and further decreased to 6.7% in 2019, primarily due to an increasingly higher proportion of gross profit generated from our all-in-one services during the same years, which recorded a lower gross profit margin. The gross profit margin of our online marketing solutions business increased from 5.1% in the six months ended June 30, 2019 to 10.5% in the six months ended June 30, 2020, primarily due to (i) an increase in the gross profit margin of our online marketing solutions business under gross basis (all-in-one services); and (ii) an increasing portion of online marketing solutions under net basis which recorded gross profit margin of 100.0%. The gross profit margin of our online marketing solutions business under gross basis (all-in-one services) increased from 4.5% in 2017 to 4.8% in 2018, and further to 5.1% in 2019, and increased from 3.9% in the six months ended June 30, 2019 to 7.2% in the six months ended June 30, 2020, primarily due to the reduced rebates, as a percentage of our gross billing, we granted to our advertising customers. This was because we started to provide short video marketing solutions in 2017 and intended to attract advertisers by offering more rebates, while we have been reducing rebates granted to our advertising customers since 2018 as a result of (i) our value-added services provided to advertisers; and (ii) stronger bargaining power arising from our market leadership.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, the gross profit margin of our online marketing solutions business under gross basis was 4.5%, 4.8%, 5.1% and 7.2%; while the gross margin of our gross billing from online marketing solutions business reconciled under net basis was 4.5%, 5.4%, 3.5% and 3.5%. In general, our gross profit margin under gross basis were higher than our gross margin under net basis, as a result of our provision of value-added services. In 2017, our gross profit margin under gross basis equaled to our gross margin under net basis, primarily because we did not charge advertising customers additional fees for our provision of value-added services with a view to attracting more advertising customers to scale our online marketing solutions business. In 2018, our gross profit margin under gross basis was lower than our gross margin under net basis, primarily because we offered more rebates to advertisers than advertising agencies since we were more inclined to transact with advertisers directly.

FINANCIAL INFORMATION

Our pan-entertainment content services business recorded relatively high gross profit margin, amounting to approximately 50.7%, 43.4%, 21.9% and 14.3% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, primarily as we owned the advertising spaces on our *Huabian* Platform that were provided to ad networks and advertisers. The gross profit margin of our pan-entertainment content services business decreased from 50.7% in 2017 to 43.4% in 2018 and further decreased to 21.9% in 2019, primarily as a result of the increasingly expensive user traffic we acquired from our content distribution partners to distribute content of our *Huabian* Platform, in line with the market trend. The gross profit margin of our pan-entertainment content services business decreased from 25.4% in the six months ended June 30, 2019 to 14.3% in the six months ended June 30, 2020, primarily due to further decrease in revenue generated from *Huabian* Platform, while our fixed costs remained relatively stable.

The following table sets forth a breakdown of our gross billing and gross profit generated from online marketing solutions business by format of advertisements for the periods indicated:

	Year ended December 31,						Six months ended June 30,													
	2017			2018			2019			2020										
	Gross Billing	% of total	% of total	Gross Billing	% of total	% of total	Gross Billing	% of total	% of total	Gross Billing	% of total	% of total								
Text and image	272,846	85.5	13,929	96.7	426,866	26.5	19,635	24.5	432,613	12.9	25,909	17.0	172,278	10.3	8,144	12.7	170,049	10.8	9,993	12.0
Short video	46,247	14.5	473	3.3	1,183,707	73.5	60,521	75.5	2,925,601	87.1	126,653	83.0	1,497,545	89.7	55,954	87.3	1,399,357	89.2	73,149	88.0
Total	319,093	100.0	14,402	100.0	1,610,573	100.0	80,156	100.0	3,358,214	100.0	152,562	100.0	1,669,823	100.0	64,098	100.0	1,569,406	100.0	83,142	100.0

(RMB'000, except otherwise in percentage)

The significant increases in gross billing and gross profit generated from our short video marketing solutions business during the Track Record Period were in line with our strategy to shift our business focus to short video marketing, since people became keen to watch short videos as opposed to browsing websites to read text and image, which is a market trend.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our gross profit and gross profit margin by customer type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit/loss RMB'000	Gross Profit/loss Margin %
Online marketing solutions business										
Advertisers	11,361	7.0	54,548	5.0	86,863	3.9	42,220	3.4	28,554	3.9
Advertising agencies	3,041	100.0	25,608	98.7	65,699	94.5	21,878	95.6	54,589	91.3
Sub-total	14,402	8.7	80,156	7.1	152,562	6.7	64,098	5.1	83,143	10.5
Pan-entertainment content services business										
Ad networks	7,197	50.7	10,585	43.4	4,614	21.9	3,379	25.4	(3,332)	(232.0)
Advertisers	28,106	50.7	17,518	43.4	2,113	21.9	1,496	25.4	4,570	63.5
Sub-total	35,303	50.7	28,103	43.4	6,727	21.9	4,875	25.4	1,238	14.3
Total	49,705	21.1	108,259	9.1	159,289	6.9	68,973	5.4	84,381	10.6

Under our online marketing solutions business, the gross profit margin of our solutions provided to advertisers and advertising agencies decreased gradually during the Track Record Period, primarily as a result of the increasingly expensive user traffic we acquired from top online publishers, which is in line with industry norm and market trend. The gross profit margin of our solutions provided to advertising agencies was higher than those provided to advertisers, primarily because substantially all of the revenue generated from advertising agencies was recognized on a net basis where we did not record cost of sales.

Under our pan-entertainment content services business, the gross profit margin generated from ad networks and advertisers equaled in 2017, 2018 and 2019 and the six months ended June 30, 2020, as the services we provided to ad networks and advertisers were identical – providing advertising spaces on our *Huabian* Platform – and therefore, the cost of sales of our overall pan-entertainment content services business was allocated to ad networks and advertisers on a pro rata basis with reference to their respective revenue contribution. Our pan-entertainment content services provided to ad networks recorded gross loss in the six months ended June 30, 2020, primarily due to further reduced revenue generated from *Huabian* Platform, while our fixed costs, such as employee benefits expenses, remained relatively stable. The gross profit margin generated from pan-entertainment content services provided to advertisers increased from 25.4% in the six months ended June 30, 2019 to 63.5% in the six months ended June 30, 2020, primarily because one of our short video KOL programs began to generate revenue since January 2020 and recorded a higher gross profit margin, mainly attributable to its low cost of sales comprising only employee benefits expenses.

FINANCIAL INFORMATION

Other Income and Gains

Our other income and gains primarily consist of bank interest income, investment interest income from financial assets at fair value through profit or loss and government grants. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	(RMB'000)			(unaudited)	
Bank interest income	41	39	78	17	46
Investment interest income from financial assets at fair value through profit or loss	169	454	1,300	1,036	534
Government grants	149	630	13,278	4,465	10,493
Others ⁽¹⁾	–	–	944	–	750
Total	359	1,123	15,600	5,518	11,823

Note:

(1) Others represent penalties recovered by us from our advertiser. Such penalties were charged on us by our media partner for our advertiser's failure to achieve the agreed annual spending of traffic acquisition cost.

Investment interest income from financial assets at fair value through profit or loss represents the fair value gain on the short-term wealth management products that we held for investment purpose which do not have a stated maturity and are redeemable at will.

Government grants primarily comprise VAT rebates and research and development grants. The VAT rebates are granted by the STA to support modern service enterprises and are effective from April 1, 2019 to December 31, 2021. In 2018, 2019 and the six months ended June 30, 2020, the research and development grants relating to our smart content distribution platform were given on a one-off basis and at the discretion of the local government authorities.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee benefits expenses for our sales and marketing staff; (ii) entertainment expenses for the maintenance and management of customer relationships; (iii) travelling expenses for the transportation and accommodation of business travels of our sales and marketing staff. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	(RMB'000)				
Employee benefits expenses . .	940	4,179	6,566	2,061	2,089
Entertainment expenses	232	1,148	737	318	54
Travelling expenses	98	547	469	381	58
Others	31	36	21	21	73
Total	1,301	5,910	7,793	2,781	2,274

FINANCIAL INFORMATION

Our selling and distribution expenses increased significantly from RMB1.3 million in 2017 to RMB5.9 million in 2018, and further to RMB7.8 million in 2019, which was attributable to the increase in the number of our sales and marketing staff, reflecting our rapidly growing online marketing solutions business. Our selling and distribution expenses decreased from RMB2.8 million in the six months ended June 30, 2019 to RMB2.3 million in the six months ended June 30, 2020, primarily due to the fewer traveling and entertainment activities caused by the outbreak of COVID-19.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefits expenses; (ii) professional fees; (iii) depreciation and amortization expenses; (iv) office and rental expenses; (v) travelling expenses; and (vi) entertainment expenses for hospitality. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
Employee benefits expenses ..	3,008	5,616	16,542	6,684	8,086
Professional fees	377	4,076	11,574	1,814	8,139
Depreciation and amortization expenses	821	940	4,205	1,727	3,109
Office and rental expenses ...	519	887	3,378	1,526	1,140
Travelling expenses	380	570	2,323	639	379
Entertainment expenses	191	240	1,271	364	58
Others ⁽¹⁾	362	1,196	2,268	1,045	745
Total	5,658	13,525	41,561	13,799	21,656

Note:

(1) Others primarily comprise stamp duties and bank charges.

Employee benefits expenses primarily comprise the salaries, bonuses, pension and other social security and welfare of our Directors, senior management and administrative staff.

Professional fees primarily comprise legal and accounting fees in relation to our private placement and the Listing.

Depreciation and amortization expenses primarily comprise depreciation of our office leasehold and office equipment.

Office and rental expenses primarily comprise rent, utilities, maintenance and other general office expenses.

Travelling expenses primarily comprise transportation and accommodation expenses of business travels of our administrative staff.

Entertainment expenses primarily comprise hospitality expenses.

Our administrative expenses increased significantly from RMB5.7 million in 2017 to RMB13.5 million in 2018, and further to RMB41.6 million in 2019, which was attributable to (i) the increases in the number of administrative staff and their average compensation level resulting from our rapid business

FINANCIAL INFORMATION

expansion; and (ii) an increase in professional fees arising primarily from the Listing; and (iii) an increase in depreciation and amortization expenses due to the rental of new office premises in line with our business expansion. Our administrative expenses increased from RMB13.8 million in the six months ended June 30, 2019 to RMB21.7 million in the six months ended June 30, 2020, primarily due to an increase in the professional fees in relation to the Listing.

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets, net represent provisions of impairment of trade receivables, net of reversal. During the Track Record Period, we recorded impairment losses on financial assets, net of RMB1.9 million, RMB3.3 million, RMB29.6 million and RMB4.0 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The increasing trend in our impairment losses on trade receivables during the Track Record Period was due to the increase in our trade receivables, in line with the rapid growth of our online marketing solutions business. The significant increase in our impairment losses on trade receivables in 2019 was caused by an one-off uncollectible trade receivable of RMB24.9 million defaulted by one of our online gaming advertisers. This online gaming advertiser failed to settle such trade receivable with us as it recorded losses in 2019 due to its poor operational performance. This online gaming advertiser became our customer since May 2018 but ceased to remain as our customer at the end of 2019. Our gross billing attributable to this online gaming advertiser was RMB14.3 million and RMB28.5 million in 2018 and 2019, respectively. We subsequently entered into a memorandum of understanding with this online gaming advertiser in November 2019 regarding such defaulted trade receivables, pursuant to which this online gaming advertiser agreed to settle such trade receivables by the end of 2022 without a detailed repayment schedule and its beneficial owner acknowledged to bear joint liabilities for the default in such trade receivables. This online gaming advertiser has been settling such trade receivables since April 2020, with repayments of RMB100,000, RMB150,000 and RMB1.0 million in April, May and August 2020, respectively. As of the Latest Practicable Date, the amount of trade receivables due from this online gaming advertiser was RMB23.7 million. We consider to take legal actions against this advertiser if it fails to settle all of the trade receivables owed to us upon the expiration of this memorandum.

In light of the above, we intend to tighten our credit policies by shortening the credit period granted to advertising customers within 30 days from the invoice date. See “— Certain Balance Sheet Items — Trade Receivables” and “Business — Risk Management and Internal Control — Credit Risk Management.” During the Track Record Period and up to the Latest Practicable Date, except for this online gaming advertiser, none of our other advertising campaigns was loss-making.

Research and Development Expenses

Our research and development expenses primarily comprise (i) employee benefits expenses; (ii) outsourcing development expenses; and (iii) others mainly consisting of server rental expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
Employee benefits expenses . .	2,473	3,554	7,442	2,993	3,188
Outsourcing development expenses	2,135	2,793	1,887	1,887	1,151
Others	914	589	594	536	31
Total	5,522	6,936	9,923	5,416	4,370

FINANCIAL INFORMATION

Employee benefits expenses primarily comprise the salaries, bonuses, pension and other social security and welfare of our research and development staff.

Outsourcing development expenses primarily relate to the outsourcing of custom software and system development.

Others primarily include server rental expenses representing short-term lease expenses on servers in relation to our research and development.

Our research and development expenses increased from RMB5.5 million in 2017 to RMB6.9 million in 2018, and further to RMB9.9 million in 2019, as we are committed to upgrading our proprietary DMP, improving our big data analytics and AI capabilities and developing our full service content production, exchange and distribution system. Our research and development expenses decreased from RMB5.4 million in the six months ended June 30, 2019 to RMB4.4 million in the six months ended June 30, 2020, primarily due to a decrease in outsourcing development expenses attributable to a decrease in our outsourced research and development activities.

Other Expenses

Other expenses relate to the penalties imposed on our advertiser by our media partner for our advertiser's failure to achieve the agreed annual spending of traffic acquisition cost, which were withheld from our deposits with such media partner.

Finance Costs

Our finance costs consist of (i) interest on interest-bearing bank and other borrowings; (ii) interest on lease liabilities; and (iii) other finance costs. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
Interest on interest-bearing					
bank and other borrowings	240	2,620	3,260	992	3,012
Interest on lease liabilities	101	92	267	121	148
Other finance costs	—	—	2,997	189	3
Total	341	2,712	6,524	1,302	3,163

Interest on interest-bearing bank and other borrowings relates to our borrowings from bank and our shareholder, Baixing Net, to support our fast growing business.

Other finance costs primarily represent the discount charges by a bank for converting our note receivables into cash.

Share of Profits and Losses of Associates

We account an entity as our associate if we have significant influence but no control over such entity. Our share of profits and losses of associates was mainly from Shanghai Buwei and Shanghai Shanju (閃劇(上海)文化傳媒有限公司). We expect that our share of profits and losses of associates will not have a significant impact on our results of operations.

FINANCIAL INFORMATION

Income Tax Expense

Our income tax expense consists of current tax and deferred tax. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB'000)				
Current tax	2,841	6,014	17,665	6,315	4,070
Deferred tax	(454)	(888)	(11,510)	(2,958)	(384)
Total	<u>2,387</u>	<u>5,126</u>	<u>6,155</u>	<u>3,357</u>	<u>3,686</u>

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. We are not subject to income or capital gains tax in the BVI. No provision for Hong Kong profits tax has been made during the Track Record Period as we did not generate any assessable profits arising in Hong Kong.

Our PRC subsidiaries and our Consolidated Affiliated Entity are subject to the statutory EIT rate of 25%, except Netjoy Network and Quantum Culture Media. In particular, Netjoy Network was recognized as a “software enterprise” and as a result, it enjoyed EIT exemption in 2015 and 2016 and was entitled to a preferential EIT rate of 12.5% from 2017 to 2019. Netjoy Network is also entitled to a preferential EIT rate of 15% as a “high and new technology enterprise” starting from 2020, which needs to be renewed upon its expiration in November 2021. According to the Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgos Economic Development Zones (國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見), promulgated on September 30, 2011, and the Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgos in Xinjiang (財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知), promulgated by the MOF and the STA on November 29, 2011, from 2010 to 2020, the newly-established enterprises in Kashgar and Horgos within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) shall be granted the preferential tax treatment of five-year EIT exemption since the first taxable year after becoming profitable. Our Quantum Culture Media falls within this catalog and is eligible for full EIT exemption from 2017 to 2020. For details regarding the preferential tax treatments enjoyed by Netjoy Network and Quantum Culture Media, see “— Key Factors Affecting Our Results of Operations.” The preferential tax treatments enjoyed by us may change. Please see “Risk Factors — Risks Relating to Our Business and Industry — Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.”

Our effective income tax rate was 6.7%, 6.9%, 7.8% and 6.1% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our effective income tax rate during the Track Record Period was lower than our statutory EIT rate, primarily because Quantum Culture Media enjoyed full EIT exemption and Netjoy Network enjoyed 50% EIT exemption in 2017, 2018 and 2019 and was entitled to a preferential EIT rate of 15% in the six months ended June 30, 2020. As a result of such preferential tax treatment, we recorded tax reduction of RMB5.5 million, RMB12.6 million, RMB18.8 million and RMB13.3 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with the relevant tax authorities.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months Ended June 30, 2020 Compared to Six months Ended June 30, 2019

Revenue

Our revenue decreased by 38.1% to RMB797.0 million for the six months ended June 30, 2020 from RMB1,286.5 million for the six months ended June 30, 2019, primarily due to a decrease of RMB479.0 million in revenue from our online marketing solutions business.

Online Marketing Solutions Business

Our revenue from online marketing solutions business decreased by 37.8% to RMB788.3 million for the six months ended June 30, 2020 from RMB1,267.3 million for the six months ended June 30, 2019, primarily due to the loss of customer E which contributed RMB648.8 million to our revenue in the first half of 2019. The decrease was partially offset by increases of RMB213.4 million in revenue from business expansion in e-commerce, financial services and advertising industries.

Pan-entertainment Content Services Business

Our revenue from pan-entertainment content services business decreased by 55.1% to RMB8.6 million for the six months ended June 30, 2020 from RMB19.2 million for the six months ended June 30, 2019, primarily due to a decrease of RMB17.2 million in revenue generated from our *Huabian* Platform, partially offset by an increase of RMB6.7 million in revenue generated from *Idol Answers*, in line with our strategy to upgrade our pan-entertainment content services and expand content coverage from text and image content only to include short video programs.

Cost of Sales

Our cost of sales decreased by 41.5% to RMB712.6 million for the six months ended June 30, 2020 from RMB1,217.5 million for the six months ended June 30, 2019, primarily due to a decrease of RMB498.0 million in cost of sales of our online marketing solutions business.

Online Marketing Solutions Business

Our cost of sales of online marketing solutions business decreased by 41.4% to RMB705.2 million for the six months ended June 30, 2020 from RMB1,203.2 million for the six months ended June 30, 2019, primarily due to a decrease in traffic acquisition costs which was mainly attributable to (i) a decrease in revenue generated from our online marketing solutions; and (ii) the reduced market price of ad inventories caused by the outbreak of COVID-19.

Pan-entertainment Content Services Business

Our cost of sales of pan-entertainment content services business decreased by 48.4% to RMB7.4 million for the six months ended June 30, 2020 from RMB14.3 million for the six months ended June 30, 2019, in line with our declining pan-entertainment content services business.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 22.3% to RMB84.4 million for the six months ended June 30, 2020 from RMB69.0 million for the six months ended June 30, 2019. Our gross profit margin increased to 10.6% for the six months ended June 30, 2020 from 5.4% for the six months ended June 30, 2019, in line with the increased gross profit margin of our online marketing solutions business

FINANCIAL INFORMATION

which contributed a substantial portion of our total gross profit. The increased gross profit margin of our online marketing solutions business was primarily due to (i) an increase in the gross profit margin of our online marketing solutions business under gross basis (all-in-one services) mainly attributable to the reduced rebates, as a percentage of our gross billing, we granted to advertising customers; and (ii) an increasing portion of online marketing solutions under net basis which recorded gross profit margin of 100.0%.

Other Income and Gains

Our other income and gains increased by 114.3% to RMB11.8 million for the six months ended June 30, 2020 from RMB5.5 million for the six months ended June 30, 2019, primarily due to an increase in government grants of RMB6.0 million mainly because we started to enjoy VAT rebates since April 2019.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 18.2% to RMB2.3 million for the six months ended June 30, 2020 from RMB2.8 million for the six months ended June 30, 2019, primarily due to a decrease in entertainment expenses of RMB0.3 million and a decrease in travelling expenses of RMB0.3 million, both of which were as a result of fewer entertainment and travelling activities caused by the outbreak of COVID-19.

Administrative Expenses

Our administrative expenses increased by 56.9% to RMB21.7 million for the six months ended June 30, 2020 from RMB13.8 million for the six months ended June 30, 2019, primarily due to an increase in professional fees of RMB6.3 million, which were mainly attributable to an increase in professional fees incurred in relation to the Listing.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets decreased by 66.9% to RMB4.0 million for the six months ended June 30, 2020 from RMB12.1 million for the six months ended June 30, 2019, primarily due to the one-off uncollectible trade receivables of RMB12.8 million defaulted by one of our online gaming advertisers in the first half of 2019.

Research and Development Expenses

Our research and development expenses decreased by 19.3% to RMB4.4 million for the six months ended June 30, 2020 from RMB5.4 million for the six months ended June 30, 2019, primarily due to a decrease of RMB0.7 million in outsourcing development expenses.

Finance Costs

Our finance costs increased by 142.9% to RMB3.2 million for the six months ended June 30, 2020 from RMB1.3 million for the six months ended June 30, 2019, primarily due to an increase in interest expenses on bank loans of RMB2.0 million mainly attributable to an increase in average bank borrowing balance.

Income Tax Expense

Our income tax expense remained relatively stable at RMB3.4 million for the six months ended June 30, 2019 and RMB3.7 million for the six months ended June 30, 2020. Our effective income tax rate decreased to 6.1% for the six months ended June 30, 2020 from 8.6% for the six months ended June 30, 2019, mainly as a result of our preferential tax treatment.

FINANCIAL INFORMATION

Profit for the Period

As a result of the foregoing, our profit for the period increased by 60.6% to RMB57.1 million for the six months ended June 30, 2020 from RMB35.5 million for the six months ended June 30, 2019. Our net profit margin, which represents profit for the period as a percentage of revenue, increased from 2.8% for the six months ended June 30, 2019 to 7.2% for the six months ended June 30, 2020, as a result of (i) reduced rebates, as a percentage of our gross billing, we granted to advertising customers; (ii) an increasing portion of online marketing solutions business under net basis that recorded gross profit margin of 100.0%; and (iii) a significant decrease in impairment losses on trade receivables arising from an one-off uncollectible trade receivables defaulted by one of our online gaming advertisers in the first half of 2019.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased significantly by 95.0% to RMB2,313.0 million for the year ended December 31, 2019 from RMB1,186.2 million for the year ended December 31, 2018, primarily due to an increase of RMB1,160.9 million in revenue from our online marketing solutions business, offset by a decrease of RMB34.0 million in revenue from our pan-entertainment content services business.

Online Marketing Solutions Business

Our revenue from online marketing solutions business increased significantly by 103.5% to RMB2,282.3 million for the year ended December 31, 2019 from RMB1,121.4 million for the year ended December 31, 2018, primarily due to the increases in the number of our advertisers and their average spending, reflecting our strategy and commitment to scaling our online marketing solutions business and also in line with the rapid industry growth.

Pan-entertainment Content Services Business

Our revenue from pan-entertainment content services business decreased significantly by 52.5% to RMB30.7 million for the year ended December 31, 2019 from RMB64.7 million for the year ended December 31, 2018, primarily as we were in the process of upgrading our text and image content services to short video content services to diversify our pan-entertainment content services.

Cost of Sales

Our cost of sales increased significantly by 99.8% to RMB2,153.7 million for the year ended December 31, 2019 from RMB1,077.9 million for the year ended December 31, 2018, primarily due to an increase of RMB1,088.5 million in cost of sales of our online marketing solutions business, offset by a decrease of RMB12.6 million in cost of sales of our pan-entertainment content services business.

Online Marketing Solutions Business

Our cost of sales of online marketing solutions business increased significantly by 104.5% to RMB2,129.7 million for the year ended December 31, 2019 from RMB1,041.3 million for the year ended December 31, 2018, primarily due to (i) an increase of RMB1,076.8 million in traffic acquisition costs as a result of our fast growing online marketing solutions business; and (ii) an increase of RMB8.7 million in employee benefits expenses attributable to the increase in the number of our operational staff, in line with our business expansion.

FINANCIAL INFORMATION

Pan-entertainment Content Services Business

Our cost of sales of pan-entertainment content services business decreased by 34.5% to RMB24.0 million for the year ended December 31, 2019 from RMB36.6 million for the year ended December 31, 2018, in line with our declining pan-entertainment content services business.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 47.1% to RMB159.3 million for the year ended December 31, 2019 from RMB108.3 million for the year ended December 31, 2018. Our gross profit margin decreased to 6.9% for the year ended December 31, 2019 from 9.1% for the year ended December 31, 2018, primarily due to a larger portion of our online marketing solutions business in 2019, which recorded a low gross profit margin.

Other Income and Gains

Our other income and gains increased significantly to RMB15.6 million for the year ended December 31, 2019 from RMB1.1 million for the year ended December 31, 2018, primarily due to an increase of RMB12.6 million in government grants resulting from the VAT rebates granted to modern service enterprises starting from April 2019.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 31.9% to RMB7.8 million for the year ended December 31, 2019 from RMB5.9 million for the year ended December 31, 2018, primarily due to an increase of RMB2.4 million in employee benefits expenses attributable to the increase in sales and marketing staff, corresponding to our rapid business expansion.

Administrative Expenses

Our administrative expenses increased significantly by 207.3% to RMB41.6 million for the year ended December 31, 2019 from RMB13.5 million for the year ended December 31, 2018, primarily due to (i) an increase of RMB10.9 million in employee benefits expenses attributable to the increase in the average compensation level of our management and administrative staff; (ii) an increase of RMB7.5 million in professional fees in relation to the Listing; (iii) an increase of RMB2.5 million in depreciation of right-of-use assets attributable to our new operation leases for office premises in 2018; and (iv) an increase of RMB2.5 million in office and rental expenses in line with our business expansion.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased significantly to RMB29.6 million for the year ended December 31, 2019 from RMB3.3 million for the year ended December 31, 2018, primarily due to the one-off uncollectible trade receivables of RMB24.9 million defaulted by one of our online gaming advertisers.

Research and Development Expenses

Our research and development expenses increased by 43.1% to RMB9.9 million for the year ended December 31, 2019 from RMB6.9 million for the year ended December 31, 2018, primarily due to (i) an increase of RMB3.9 million in employee benefits expenses attributable to the increases in the number of research and development staff and their average compensation, partially offset by a decrease of RMB0.9 million in outsourcing development expenses.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased significantly by 140.6% to RMB6.5 million for the year ended December 31, 2019 from RMB2.7 million for the year ended December 31, 2018, primarily due to (i) an increase of RMB2.8 million arising from discount charges on note receivables; and (ii) an increase of RMB0.6 million in interest expenses on bank and other borrowings, as a result of an increase in bank borrowings to support our fast growing business.

Income Tax Expense

Our income tax expense increased by 20.1% to RMB6.2 million for the year ended December 31, 2019 from RMB5.1 million for the year ended December 31, 2018, primarily due to an increase of RMB11.7 million in current tax as a result of our rapid profit growth and additional income tax expenses arising from the sale of Letui Culture by Netjoy Network in relation to the Reorganization, offset by an increase of RMB10.6 million in deferred tax expense primarily as a result of the impairment losses on trade receivables. Our effective income tax rate increased to 7.8% for the year ended December 31, 2019 from 6.9% for the year ended December 31, 2018, as a result of the additional income tax expenses arising from the sale of Letui Culture by Netjoy Network in relation to the Reorganization.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 5.0% to RMB72.9 million for the year ended December 31, 2019 from RMB69.5 million for the year ended December 31, 2018. Our net profit margin, which represents profit for the year as a percentage of revenue, decreased from 5.9% for the year ended December 31, 2018 to 3.2% for the year ended December 31, 2019, as a result of (i) the rapid growth of our online marketing solutions business which has a low gross profit margin; and (ii) the one-off impairment losses on trade receivables.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased significantly by 403.8% to RMB1,186.2 million for the year ended December 31, 2018 from RMB235.4 million for the year ended December 31, 2017, primarily due to an increase of RMB955.6 million in revenue from our online marketing solutions business, offset by a decrease of RMB4.8 million in revenue from our pan-entertainment content services business.

Online Marketing Solutions Business

Our revenue from online marketing solutions business increased significantly by 576.2% to RMB1,121.4 million for the year ended December 31, 2018 from RMB165.8 million for the year ended December 31, 2017, primarily as (i) we strategically shifted our focus to short video marketing to capture the huge growth opportunities offered by the rise of short videos as a popular and prevalent form of entertainment; and (ii) we became a national direct advertising agent of a leading short video platform for its short video marketing business.

Pan-entertainment Content Services Business

Our revenue from pan-entertainment content services business decreased by 7.0% to RMB64.7 million for the year ended December 31, 2018 from RMB69.6 million for the year ended December 31, 2017, primarily as we devoted more resources to short video marketing and production.

Cost of Sales

Our cost of sales increased significantly by 480.4% to RMB1,077.9 million for the year ended December 31, 2018 from RMB185.7 million for the year ended December 31, 2017, primarily due to an increase of RMB889.8 million in our cost of sales of online marketing solutions business.

FINANCIAL INFORMATION

Online Marketing Solutions Business

Our cost of sales of online marketing solutions business increased significantly by 587.6% to RMB1,041.3 million for the year ended December 31, 2018 from RMB151.4 million for the year ended December 31, 2017, primarily due to (i) an increase of RMB886.1 million in traffic acquisition costs in line with our business expansion; and (ii) an increase of RMB2.3 million in employee benefits expenses attributable to the increase in the number of our operational staff, reflecting our efforts to focus on online marketing solutions business.

Pan-entertainment Content Services Business

Our cost of sales of pan-entertainment content services business increased by 6.9% to RMB36.6 million for the year ended December 31, 2018 from RMB34.3 million for the year ended December 31, 2017, primarily due to an increase of RMB2.0 million in traffic acquisition costs, in line with the market trend of increasingly expensive user traffic.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased significantly by 117.8% to RMB108.3 million for the year ended December 31, 2018 from RMB49.7 million for the year ended December 31, 2017. Our gross profit margin decreased to 9.1% for the year ended December 31, 2018 from 21.1% for the year ended December 31, 2017, primarily as our revenue from fast growing online marketing solutions business that has a low gross profit margin accounted for a majority portion of our total revenue in 2018.

Other Income and Gains

Our other income increased to RMB1.1 million for the year ended December 31, 2018 from RMB0.4 million for the year ended December 31, 2017, primarily due to (i) an increase of RMB0.5 million in government grants as a result of tax refund and an increase of RMB0.3 million in investment income from financial assets at fair value through profit or loss.

Selling and Distribution Expenses

Our selling expenses increased significantly by 354.3% to RMB5.9 million for the year ended December 31, 2018 from RMB1.3 million for the year ended December 31, 2017, primarily due to (i) an increase of RMB3.2 million in employee benefits expenses attributable to the increase in the number of sales and marketing staff; and (ii) an increase of RMB0.9 million in entertainment expenses to explore new customers and maintain existing customers, both of which were in line with our business expansion.

Administrative Expenses

Our administrative expenses increased significantly by 139.0% to RMB13.5 million for the year ended December 31, 2018 from RMB5.7 million for the year ended December 31, 2017, primarily due to (i) an increase of RMB3.7 million in professional services fees in relation to the private placement of our shares to Wutong Holding; and (ii) an increase of RMB2.6 million in employee benefits expenses attributable to the increases in the number of our management and administrative staff and their increased average compensation level.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased by 74.6% to RMB3.3 million for the year ended December 31, 2018 from RMB1.9 million for the year ended December 31, 2017, primarily due to the increase in our trade receivables, in line with the rapid growth of our online marketing solutions business.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses increased by 25.6% to RMB6.9 million for the year ended December 31, 2018 from RMB5.5 million for the year ended December 31, 2017, primarily due to the increases in the number of research and development staff and their average compensation level.

Finance Costs

Our finance costs increased to RMB2.7 million for the year ended December 31, 2018 from RMB0.3 million for the year ended December 31, 2017, primarily due to an increase of RMB2.4 million in bank interest expenses as a result of more bank loans to support our business expansion.

Income Tax Expense

Our income tax expense increased significantly by 114.7% to RMB5.1 million for the year ended December 31, 2018 from RMB2.4 million for the year ended December 31, 2017, primarily due to the increase in our profit before tax in 2018, in line with our business growth. Our effective income tax rate remained stable at 6.9% for the year ended December 31, 2018 compared to 6.7% for the year ended December 31, 2017.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly by 110.6% to RMB69.5 million for the year ended December 31, 2018 from RMB33.0 million for the year ended December 31, 2017. Our net profit margin, which represents profit for the year as a percentage of revenue, decreased from 14.0% for the year ended December 31, 2017 to 5.9% for the year ended December 31, 2018, as a result of the rapid growth of our online marketing solutions business which recorded a low gross profit margin.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including acquiring user traffic from online publishers, enhancing our content production capabilities, improving our big data analytics and AI capabilities, upgrading our proprietary DMP and other infrastructures as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, and capital contributions from Shareholders. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had cash and cash equivalents of RMB26.2 million, RMB6.3 million, RMB34.8 million and RMB44.8 million, respectively, consisting of cash at bank and in hand.

FINANCIAL INFORMATION

Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	(RMB'000)			(unaudited)	
Operating cash flows before movement in working capital	38,191	81,388	118,098	53,270	70,767
Changes in working capital	(30,107)	(192,802)	(116,603)	(64,703)	11,929
Interest paid	(60)	(53)	(189)	(104)	(102)
Tax paid	(927)	(2,433)	(5,274)	(5,211)	(11,018)
Net cash generated from/(used in) operating activities	7,097	(113,900)	(3,968)	(16,748)	71,576
Net cash used in investing activities	(1,235)	(5,910)	(10,769)	(1,844)	(45,772)
Net cash (used in)/generated from financing activities	(6,210)	99,920	43,277	20,764	(15,848)
Net (decrease)/increase in cash and cash equivalents	(348)	(19,890)	28,540	2,172	9,956
Cash and cash equivalents at the beginning of the year/period	26,538	26,190	6,300	6,300	34,840
Cash and cash equivalents at the end of the year/period	26,190	6,300	34,840	8,472	44,796

Operating Activities

We derive our cash inflow from operating activities primarily through provision of online marketing solutions business and pan-entertainment content services business. Cash outflow from operating activities primarily comprises traffic acquisition costs, employee benefit expenses, and other operating expenses. Our cash from operating activities reflects our profit before taxation, adjusted for non-cash or non-operating items, such as finance costs, investment income from short-term investment through profit or loss, provisions of impairment of trade receivables, net, depreciation of right-of-use assets, and the changes in working capital, including increases in trade receivables, prepayments, other receivables and other assets, trade payables, other payables and accruals, and contract liabilities.

We recorded negative operating cash flow of RMB113.9 million and RMB4.0 million in 2018 and 2019, respectively, primarily due to the relatively longer credit terms we granted to our advertising customers than those media partners granted to us, as we strategically shifted our focus to short video marketing in 2018 and intended to attract advertisers by offering longer credit terms. Our operating cash outflow decreased significantly from 2018 to 2019, primarily due to our tightened credit policy in payment collection, as we have become a leading short video marketing solutions provider and have stronger bargaining power. Due to our effective tightened credit policy, we generated cash inflow of RMB71.6 million in the first half of 2020. We will continue to strictly implement our enhanced credit policy in place to maintain and improve our operating cash flows after the Listing.

FINANCIAL INFORMATION

Our net cash generated from operating activities was RMB71.6 million for the six months ended June 30, 2020. This net cash inflow was primarily attributable to (i) our profit before tax of RMB60.8 million, as adjusted to reflect non-cash or non-operating items of RMB10.0 million, which principally included finance costs of RMB3.2 million, provisions of impairment of trade receivables, net of RMB4.0 million and depreciation of right-of-use assets of RMB2.3 million; (ii) a decrease of RMB87.1 million in trade receivables generally in line with the reduced user traffic acquisition during low season; (iii) an increase of RMB25.4 million in contract liabilities and an increase of RMB26.3 million in other payables and accruals mainly attributable to an increase in collections from customers, both of which were primarily as a result of our enhanced credit policy in 2020 that requires certain advertising customers to prepay for our online marketing solutions to offset the impact of certain online publishers' prepayment requirements on our liquidity. This net cash inflow was partially offset by (i) a decrease of RMB64.6 million in trade payables generally in line with the reduced user traffic acquisition during low season; (ii) an increase of RMB62.2 million in prepayments, other receivables and other assets, mainly as a result of our business expansion with leading online publishers that require prepayments for acquiring their traffic; and (iii) income tax paid of RMB11.0 million.

Our net cash used in operating activities was RMB16.7 million for the six months ended June 30, 2019. This net cash outflow was primarily attributable to (i) our profit before tax of RMB38.9 million, as adjusted to reflect non-cash or non-operating items of RMB14.4 million, which principally included provision for impairment of trade receivables, net of RMB12.1 million, finance costs of RMB1.3 million, investment income from short-term investment through profit or loss of RMB1.0 million and depreciation of right-of-use assets of RMB1.3 million; (ii) an increase of RMB39.0 million in prepayments, other receivables and other assets mainly attributable to an increase in prepayments for user traffic acquisition in line with the rapid expansion of our online marketing solutions business; and (iii) a decrease of RMB96.0 million in trade payables generally in line with the reduced user traffic acquisition during low season. This net cash outflow was partially offset by (i) a decrease of RMB50.4 million in trade receivables generally in line with the reduced revenue during low season; and (ii) an increase of RMB18.4 million in contract liabilities in line with the rapid expansion of our online marketing solutions business.

Our net cash used in operating activities was RMB4.0 million for the year ended December 31, 2019. This net cash outflow was primarily attributable to (i) our profit before tax of RMB79.1 million, as adjusted to reflect non-cash or non-operating items of RMB39.0 million, which principally included finance costs of RMB6.5 million, provisions of impairment of trade receivables, net of RMB29.6 million, depreciation of right-of-use assets of RMB3.2 million and investment income from short-term investment through profit or loss of RMB1.3 million; (ii) an increase of RMB106.3 million in trade receivables as a result of the rapid growth of our online marketing solutions business; (iii) an increase of RMB72.7 million in prepayments, other receivables and other assets; and (iv) income tax paid of RMB5.3 million. The increase in prepayments, other receivables and other assets was primarily due to (i) an increase of RMB70.3 million in prepayments for traffic acquisition as two top online publishers required prepayment for their user traffic which were our major traffic suppliers; (ii) an increase of RMB11.0 million of value-added tax recoverable as a result of an additional 10% input VAT deduction granted by the STA; and (iii) a decrease of RMB8.5 million in deposits as we terminated our cooperation with a mobile browser which required deposits. This net cash outflow was partially offset by (i) an increase in trade payables of RMB31.9 million due to more user traffic we acquired in line with the rapid growth of our online marketing solutions business; (ii) an increase of RMB9.6 million in other payables and accruals; and (iii) an increase of RMB21.0 million in contract liabilities as a result of the incremental advances prepaid by our customers for our online marketing solutions. The increase in other payables and accruals was primarily due to (i) an increase of RMB2.1 million in payroll and bonus payables attributable to the increases in the number of our employees and their average compensation level, in line with our business expansion; (ii) accrued expenses of RMB4.5 million in relation to the Listing; and (iii) an increase of RMB2.7 million in collections from customers for our advertisement distribution services, in line with our business expansion.

FINANCIAL INFORMATION

Our net cash used in operating activities was RMB113.9 million for the year ended December 31, 2018. This net cash outflow was primarily attributable to (i) our profit before tax of RMB74.6 million, as adjusted to reflect non-cash or non-operating items of RMB6.8 million, which principally included finance costs of RMB2.7 million and provisions of impairment of trade receivables, net of RMB3.3 million; (ii) an increase of RMB285.1 million in trade receivables in line with the rapid growth of our online marketing solutions business; (iii) an increase of RMB25.9 million in prepayments, other receivables and other assets; and (iv) income tax paid of RMB2.4 million. The increase in prepayments, other receivables and other assets was primarily due to (i) an increase of RMB10.3 million in prepayments for traffic acquisition reflecting our strategy to focus on and expand our online marketing solutions business; and (ii) an increase of RMB15.0 million in deposits primarily as a mobile browser required deposits for acquiring its user traffic. This net cash outflow was partially offset by (i) an increase of RMB99.2 million in trade payables due to more user traffic we acquired, in line with the rapid growth of our online marketing solutions business; (ii) an increase of RMB7.7 million in other payables and accruals; and (iii) an increase of RMB11.3 million in contract liabilities as a result of the incremental advances prepaid by our customers for our online marketing solutions. The increase in other payables and accruals was primarily due to (i) an increase of RMB2.5 million in payroll and bonus payables attributable to the increases in the number of our employees and their average compensation level; (ii) an increase of RMB1.7 million in tax payables; and (iii) an increase of RMB2.5 million in collection from customers for our advertisement distribution services, all of which reflected our business expansion.

Our net cash generated from operating activities was RMB7.1 million for the year ended December 31, 2017. This net cash inflow was primarily attributable to (i) our profit before tax of RMB35.4 million, as adjusted to reflect non-cash or non-operating items of RMB2.8 million, which principally included provisions of impairment of trade receivables, net of RMB1.9 million; (ii) an increase of RMB47.3 million in trade payables attributable to the tremendous increase in traffic acquisition costs paid to a leading news and information platform in line with the growth of our online marketing solutions, in particular text and image advertising; (iii) an increase of RMB4.9 million in other payables and accruals; and (iv) an increase of RMB3.8 million in contract liabilities as a result of the incremental advances prepaid by our customers for our online marketing solutions. The increase in other payables and accruals was primarily due to (i) an increase of RMB0.7 million in payroll and bonus payables attributable to the increases in the number of our employees and their average compensation level; (ii) an increase of RMB2.1 million in tax payables; and (iii) an increase of RMB1.8 million in collection from customers for our advertisement distribution services, all of which reflected our business expansion. This net cash generated from operating activities was partially offset by (i) an increase of RMB80.6 million in trade receivables, in line with the rapid growth of our online marketing solutions business; and (ii) an increase of RMB5.5 million in prepayments, other receivable and other assets. The increase in prepayments, other receivables and other assets was primarily due to an increase of RMB5.7 million in prepayments for traffic acquisition, in line with the growth of our online marketing solutions business.

Investing Activities

Our cash used in investing activities mainly reflects our cash used in payments for property, plant and equipment, other intangible assets, and investment in associates. Our cash generated from investing activities mainly comprises investment income from short-term investments through profit or loss.

Our net cash used in investing activities was RMB45.8 million for the six months ended June 30, 2020. This net cash outflow was primarily due to (i) addition of financial assets through profit or loss of RMB42.0 million because we purchased certain short-term wealth management products; and (ii) investment in an associate of RMB3.0 million as a result of our investment in Shanghai Shanju.

FINANCIAL INFORMATION

Our net cash used in investing activities was RMB1.8 million for the six months ended June 30, 2019. This net cash outflow was primarily due to (i) purchases of property, plant and equipment of RMB1.4 million in relation to video production equipment and office furnishing service; and (ii) purchases of other intangible assets of RMB1.5 million in relation to the acquisition of right of use of a website. This net cash outflow was offset by investment income from our short-term wealth management products of RMB1.0 million.

Our net cash used in investing activities was RMB10.8 million for the year ended December 31, 2019. This net cash outflow was primarily due to (i) purchases of property, plant and equipment of RMB2.5 million in relation to computers and other professional equipment; (ii) purchases of other intangible assets of RMB7.2 million in relation to the acquisition of a website and software; and (iii) investment in an associate of RMB2.3 million as we increased our capital in Shanghai Buwei. This net cash outflow was offset by investment income from short-term investments through profit or loss of RMB1.3 million. Our net cash used in investing activities in 2019 reflected our rapid business expansion.

Our net cash used in investing activities was RMB5.9 million for the year ended December 31, 2018. This net cash outflow was primarily due to investment in an associate, Yunlin Culture, of RMB6.0 million.

Our net cash used in investing activities was RMB1.2 million for the year ended December 31, 2017. This net cash outflow was primarily due to investment in an associate, Shanghai Buwei, of RMB1.0 million.

Financing Activities

Cash inflow from financing activities mainly comprises capital injections and bank and other borrowings. We use cash in financing activities primarily for repayments of bank and other borrowings and lease payments.

Our net cash used in financing activities was RMB15.8 million for the six months ended June 30, 2020. This net cash outflow was primarily due to repayment of bank loans of RMB90.0 million, partially offset by new bank loans of RMB79.5 million.

Our net cash generated from financing activities was RMB20.8 million for the six months ended June 30, 2019. This net cash inflow was primarily due to new bank loans of RMB48.0 million, partially offset by repayment of bank loans of RMB24.8 million.

Our net cash generated from financing activities was RMB43.3 million for the year ended December 31, 2019. This net cash inflow was primarily due to (i) new bank loans of RMB115.5 million; and (ii) loans from related parties of RMB112.9 million. This net cash inflow was partially offset by (i) repayment of bank loans and loans from related parties of RMB166.1 million; (ii) lease payments of RMB3.2 million; (iii) interests paid of RMB5.2 million; and (iv) dividend paid of RMB11.0 million.

Our net cash generated from financing activities was RMB99.9 million for the year ended December 31, 2018. This net cash inflow was primarily due to (i) new bank loans of RMB142.8 million; (ii) loans from related parties of RMB105.5 million; and (iii) capital injection from non-controlling shareholders of RMB78.0 million from Wutong Holding. This net cash inflow was partially offset by (i) repayment of bank loans and loans from related parties of RMB220.0 million; (ii) share issue expenses of RMB3.1 million in relation to the professional service fees for the private placement of our Shares to Wutong Holding; and (iii) interests paid of RMB2.6 million.

Our net cash used in financing activities was RMB6.2 million for the year ended December 31, 2017. This net cash outflow was primarily due to (i) repayment of bank loans of RMB9.8 million; and (ii) lease payments of RMB0.7 million, offset by new bank loans of RMB4.5 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) property, plant and equipment for office equipment and leasehold improvement; and (ii) intangible assets for software and the user right of a website. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30, 2020
	2017	2018	2019	
	(RMB'000)			
Property, plant and equipment	504	364	2,511	1,195
Intangible assets	–	–	8,730	111
Total	504	364	11,241	1,306

We expect to incur approximately RMB7.8 million for the year ending December 31, 2020, primarily related to office furniture and decoration as well as purchases of servers, software and website. We intend to fund our planned capital expenditures through cash generated from operations.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

Capital Commitments

The following table sets out our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Contracted but not provided for purchases of office furnishing services	–	–	–	2,102

FINANCIAL INFORMATION

NET CURRENT ASSETS

The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current assets:

	As of December 31,			As of	As of
	2017	2018	2019	June 30,	October 31,
				2020	2020
					(unaudited)
	(RMB'000)				
Current assets:					
Financial assets at fair value					
through profit or loss	–	–	–	42,000	–
Trade receivables	98,504	380,312	457,025	365,951	599,872
Prepayments, other					
receivables and other					
assets	10,648	36,136	106,709	169,263	226,558
Cash and cash equivalents	26,190	6,300	34,840	44,796	12,734
Total current assets	135,342	422,748	598,574	622,010	839,164
Current liabilities:					
Trade payables	48,552	147,771	179,633	115,041	149,611
Other payables and accruals	6,386	25,063	24,897	50,402	127,111
Interest-bearing bank					
borrowings	–	27,800	91,547	80,942	151,299
Current portion of lease					
liabilities	652	684	4,037	5,862	5,385
Contract liabilities	5,000	16,319	37,353	62,756	65,043
Income tax payables	2,801	6,382	18,773	11,826	16,411
Total current liabilities	63,391	224,019	356,240	326,829	514,860
Net current assets	71,951	198,729	242,334	295,181	324,304

We had net current assets of RMB324.3 million as of October 31, 2020, consisting of current assets of RMB839.2 million and current liabilities of RMB514.9 million, which represented an increase of RMB29.1 million from our net current assets of RMB295.2 million as of June 30, 2020. This was primarily due to (i) an increase of RMB233.9 million in trade receivables, in line with the rapid growth of our online marketing solutions business during peak season; and (ii) an increase of RMB57.3 million in prepayments, other receivables and other assets, mainly as a result of our further business expansion with leading online publishers that require prepayments for acquiring their traffic. This was partially offset by (i) an increase of RMB76.7 million in other payables and accruals, primarily as a result of an increase in collections from customers for our advertisement distribution services during peak season; (ii) an increase of RMB70.4 million in interest-bearing bank borrowings to finance our fast growing business during peak season; (iii) a decrease of RMB42.0 million in financial assets at fair value through profit or loss because we redeemed all of our bank wealth management products in September 2020; (iv) an increase of RMB34.6 million in trade payables, primarily in line with the rapid growth of our online marketing solutions business during peak season; and (v) a decrease of RMB32.1 million in cash and cash equivalents, primarily as a result of the increase in prepayments to online publishers for traffic acquisition.

FINANCIAL INFORMATION

We had net current assets of RMB295.2 million as of June 30, 2020, consisting of current assets of RMB622.0 million and current liabilities of RMB326.8 million, which represented an increase of RMB52.8 million from our net current assets of RMB242.3 million as of December 31, 2019. This was primarily due to (i) a decrease of RMB64.6 million in trade payables generally in line with the reduced user traffic acquisition during low season; (ii) an increase of RMB62.6 million in prepayments, other receivables and other assets, mainly as a result of our business expansion with leading online publishers that require prepayments for acquiring their traffic; (iii) an increase of RMB42.0 million in financial assets at fair value through profit or loss; (iv) a decrease of RMB10.6 million in interest-bearing bank borrowings; and (v) an increase of RMB10.0 million in cash and cash equivalents. This was partially offset by (i) a decrease of RMB91.0 million in trade receivables generally in line with the reduced revenue during low season; and (ii) an increase of RMB25.4 million in contract liabilities, and an increase of RMB25.5 million in other payables and accruals mainly attributable to an increase in collections from customers, both of which were primarily due to our stricter credit policy in 2020 that requires certain advertising customers to prepay for our online marketing solutions to offset the impact of certain online publishers' prepayment requirements on our liquidity.

We had net current assets of RMB242.3 million as of December 31, 2019, consisting of current assets of RMB598.6 million and current liabilities of RMB356.2 million, which represented an increase of RMB43.6 million from our net current assets of RMB198.7 million as of December 31, 2018. This was primarily due to (i) an increase of RMB76.7 million in trade receivables in line with the repaid growth of our online marketing solutions business; (ii) an increase of RMB70.6 million in prepayments, other receivables and other assets mainly due to prepayments to two top online publishers for their traffic which were our major traffic suppliers; and (iii) an increase of RMB28.5 million in cash and cash equivalents mainly attributable to our increased bank borrowings. This was partially offset by (i) an increase of RMB31.9 million in trade payables, in line with the rapid growth of our online marketing solutions business; (ii) an increase of RMB63.7 million in interest-bearing bank borrowings; (iii) an increase of RMB21.0 million in contract liabilities as a result of the incremental amounts prepaid by our customers for our online marketing solutions; and (iv) an increase of RMB12.4 million in income tax payables, as a result of our increased taxable income.

We had net current assets of RMB198.7 million as of December 31, 2018, consisting of current assets of RMB422.7 million and current liabilities of RMB224.0 million, which represented an increase of RMB126.8 million from our net current assets of RMB72.0 million as of December 31, 2017. This was primarily due to (i) an increase of RMB281.8 million in trade receivables, in line with the repaid growth of our online marketing solutions business; and (ii) an increase of RMB25.5 million in prepayments, other receivables and other assets mainly due to the payment of deposits to a mobile browser for acquiring user traffic. This was partially offset by (i) a decrease of RMB19.9 million in cash and cash equivalents mainly attributable to the relatively longer credit terms we granted to our customers than those granted to us by our suppliers which led to net cash outflow; (ii) an increase of RMB99.2 million in trade payables in line with the rapid growth of our online marketing solutions business; (iii) an increase of RMB18.7 million in other payables and accruals mainly attributable to the payroll and bonus payables to our employees and dividends payables to our shareholders; (iv) an increase of RMB27.8 million in interest-bearing bank borrowings; and (v) an increase of RMB11.3 million in contract liabilities as a result of the incremental advances prepaid by our customers for our online marketing solutions business.

As of December 31, 2017, we had net current assets of RMB72.0 million, consisting of current assets of RMB135.4 million and current liabilities of RMB63.4 million.

FINANCIAL INFORMATION

The following table sets forth ageing analysis of our trade receivables, based on invoice date and net of impairment, as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Within 60 days	51,465	336,773	384,357	271,859
61 to 180 days	41,729	33,084	37,856	35,871
181 to 365 days	5,172	10,254	33,408	56,172
Over one year	138	201	1,404	2,049
Total	98,504	380,312	457,025	365,951

The following table sets forth the ageing analysis of our trade receivables before impairment by due date:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Not past due	52,685	333,729	356,291	278,857
0 to 60 days past due	38,443	32,294	70,589	31,649
61 to 180 days past due	6,184	17,407	47,273	40,083
181 to 365 days past due	2,488	1,118	11,439	43,334
Over one year past due	881	1,257	6,556	11,151
Total	100,681	385,805	492,148	405,074

We generally grant credit terms to our customers ranging from 30 days to 90 days. We seek to maintain strict control over our outstanding trade receivables, and overdue balances are reviewed regularly by the management.

During the Track Record Period, we either settled most of our traffic acquisition costs with our media partners within 30 days since the transaction dates or prepaid for the user traffic to be acquired from our media partners, while we generally settled with our customers within 30 to 90 days since the invoice dates or required prepayments for our online marketing solutions, which resulted in a mismatch between the timing of payments of traffic acquisition costs and the timing of receipt of revenue from advertising customers. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our cash conversion cycle, calculated as trade receivables turnover days minus trade payables turnover days, was approximately 28.8 days, 29.3 days, 26.6 days and 29.5 days, respectively.

To manage our trade receivables adequately, we will adopt an enhanced credit policy, which will be updated or renewed by our legal and compliance department from time to time. Credits and credit terms granted to our customers vary depending on their gross spending, industries and selected content distribution channels:

New customers. We generally require prepayments for our new customers. We may grant a credit term of three to seven days to our new customers when they have three or more transactions with us and their gross spending reach RMB500,000.

Different industries. Our management regularly reviews the credit profiles of specific industries, taking into account the overall performance of that particular industry, government policies and restrictions on the industry as well as the track record and reputation of such industry. When our management deems there may be a high risk to transact with such industry, we will temporarily suspend

FINANCIAL INFORMATION

providing services to such industry, or require prepayment before we provide services. For online gaming companies, after internal review of their business qualifications, industry reputation, credit records and financial position, we may grant credit terms to them after their gross spending reaches RMB2.0 million; while for customers from other industries, the gross spending threshold for us to grant to them credit terms varies from RMB200,000 to RMB500,000.

Content distribution channels. Based on the different credit periods that our content distribution channels grant to us, we may grant to our advertising customers varying credit periods, which are generally not longer than those content distribution channels grant to us.

Taking into account other factors, such as peak seasons, our intention to tap into new industry verticals, to attract and retain major enterprises, or to achieve our annual performance goals, we may extend our credit terms to certain customers at our sole discretion.

For details of our credit policy, see “Business — Risk Management and Internal Control — Credit Risk Management.”

The following table sets forth the movements in loss allowance for impairment of trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
At the beginning of the year	278	2,177	5,493	35,123
Impairment losses, net	1,899	3,316	29,630	4,000
At the end of the year	2,177	5,493	35,123	39,123

We apply the simplified approach to make provisions for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the provision rates are based on aging analysis of customers that have similar loss patterns. In addition, our policy for impairment loss on trade receivables on an individual basis 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. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recognize net impairment losses of RMB1.9 million, RMB3.3 million, RMB29.6 million and RMB4.0 million on our trade receivables. For details regarding the impairment analysis of our trade receivable, see Note 18 in “Appendix I — Accountants’ Report” to this prospectus.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our trade receivables turnover days were 55.6 days, 52.2 days, 45.1 days and 47.5 days, respectively. We calculate the trade receivables turnover days using the average of the opening and closing trade receivables balances for the period, net of impairment, divided by gross billing for the relevant period, multiplied by the number of days in the relevant period (365 days for 2017, 2018 and 2019 and 182 days for the six months ended June 30, 2020). Our trade receivables turnover days decreased from 55.6 days in 2017 to 52.2 days in 2018, and further decreased to 45.1 days in 2019 as we adopted stricter credit policy in collecting our trade receivables from our customers, mainly shortening the credit terms we granted to our customers. Our trade receivables turnover days increased slightly from 45.1 days in 2019 to 47.5 days in the six months ended June 30, 2020, primarily due to the prolonged settlement of trade receivables by certain customers in light of the COVID-19.

As of October 31, 2020, RMB314.0 million, or approximately 77.5% of our trade receivables as of June 30, 2020 were subsequently settled.

FINANCIAL INFORMATION

Prepayments, Other Receivables and Other Assets

The following table sets forth our prepayment, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30, 2020
	2017	2018	2019	
	(RMB'000)			
Included in non-current assets:				
Prepayments	161	581	2,738	2,402
Included in current assets:				
Prepayments	9,047	18,972	82,095	129,009
Prepayments for investment in film ...	–	–	5,000	5,000
Value-added tax recoverable	–	535	11,516	22,761
Deposits	1,601	16,629	8,098	12,493
Total	10,809	36,717	109,447	171,665

The non-current portion of prepayments represent amounts we prepaid to a credit reporting agency to obtain basic information, such as legal representative, registered capital, and penalties and proceedings, of our potential customers. The current portion of prepayments represent amounts we prepaid to our media partners for acquiring user traffic. Our current portion of prepayments increased by 109.7% from RMB9.0 million as of December 31, 2017 to RMB19.0 million as of December 31, 2018, as a result of our business expansion. Our current portion of prepayments increased by 359.1% from RMB19.0 million as of December 31, 2018 to RMB87.1 million as of December 31, 2019, primarily due to the further rapid growth of our online marketing solutions business where certain leading online publishers required prepayments for acquiring their user traffic. Our current portion of prepayments increased by 53.9% from RMB87.1 million as of December 31, 2019 to RMB134.0 million as of June 30, 2020, mainly as a result of our business expansion with leading online publishers that require prepayments for acquiring their traffic. In particular, online marketing solutions providers serving e-commerce advertisers were required by Supplier A to make prepayments, and our business expansion with e-commerce advertisers in the six months ended June 30, 2020 had resulted in a significant increase in our prepayments.

Prepayments for investment in film represent our investment in a movie produced by a leading PRC media group listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, this movie has completed filming and was in the process of post-production. The investment in film is an one-off investment, as one of our measures to implement our strategy of upgrading our pan-entertainment content services. We will evaluate our investment in this web film to see if it adds value and synergies to our service offerings, operations and brand buildings to decide whether to make future investments in movies.

Our prepayments turnover days, calculated as dividing the average of the opening and closing balance for the period by our gross spending of traffic acquisition for the relevant period, multiplied by the number of days in the relevant period (365 days for 2017, 2018 and 2019 and 182 days for the six months ended June 30, 2020), decreased from 6.8 days in 2017 to 3.3 days in 2018, primarily as a result of a significant increase in our gross spending of traffic acquisition from our media partners, in line with our strategical shift of business focus to online marketing solutions business. Our prepayments turnover days increased from 3.3 days in 2018 to 6.2 days in 2019 and further to 13.8 days in the six months ended June 30, 2020, in line with our rapid growth of prepayments which results from our fast expansion of online marketing solutions business.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our prepayments as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Within 3 months	7,463	8,450	78,863	119,531
Over 3 months but within 12 months	1,683	10,204	3,706	9,616
Over 12 months	62	899	7,264	7,264
Total	9,208	19,553	89,833	136,411

Our prepayments aged over 3 months but within 12 months as of December 31, 2018 were primarily due to (i) an investment of RMB5.0 million in a movie; and (ii) an amount of RMB2.3 million prepaid to a media agent for acquiring user traffic from online publishers. Our prepayments aged over 3 months but within 12 months as of June 30, 2020 were primarily due to an aggregate amount of RMB6.3 million prepaid to media agents for acquiring user traffic from online publishers. Prepayments to these media agents were not utilized in a timely manner because we intended to continue our cooperation with them but finally ceased to do so as a result of the ineffective user traffic we acquired through these media agents.

Our prepayments aged over 12 months of RMB7.3 million as of December 31, 2019 and June 30, 2020 were primarily due to an investment of RMB5.0 million in a movie, which was in the post-production stage.

Prepayments for traffic acquisition to suppliers are crucial to our operations and business expansion in the sense that (i) prepayments are required by certain leading online publishers, which are usually preferred and chosen by advertising customers to place their advertisements; and (ii) prepayments are usually required in establishing cooperation with leading online publishers that are admired by advertisers. As a consequence, in general, the larger amounts of prepayments to suppliers, the larger scale of our business, which is evidenced by the rapid growth of both our revenue and prepayments throughout the Track Record Period. Such prepayments are fully refundable upon our request, provided that (i) when we determine to cease to acquire traffic from a certain supplier and (ii) if a certain supplier fails to provide the relevant traffic resources to us in a timely manner or at all. Prepayments are subject to (i) the price pressure caused by the changes in the unit price of ad inventories and (ii) any major changes in online publishers' internal terms or policies regulating their prepayments. Despite that prepayments help boost our business, any significant increase in prepayments may also result in an adverse impact on our cash flows generated from operating activities and working capital sufficiency and expose us to credit and liquidity risks. See “— Financial Risks” and Note 34 in the Accountants' Report set out in Appendix I to this prospectus. However, to satisfy our working capital requirement and to reduce the associated credit and liquidity risks, we (i) require certain advertising customers to make prepayments to us which are recorded as contract liabilities; (ii) encourage advertising customers to top up their advertisement distribution service fees (net basis) which are recorded as collections from customers; and (iii) utilize a portion of the gross proceeds from the Global Offering as prepayments to expand our business so as to reduce the potential impact on our cash flows from operating activities. If our online publisher suppliers fail to provide the relevant traffic resources to us in a timely manner or at all, we may be exposed to prepayment default risks. See “Risk Factors — Risks Relating to Our Business and Industry — Our large prepayments to major suppliers may involve significant uncertainty. Failure to recover our prepayments in part or in full could have a material and adverse impact on our business and financial position.”

FINANCIAL INFORMATION

To manage our large and rapidly growing amounts of prepayments adequately, we have the following internal control measures in place to monitor the funding and utilization of prepayments, which will be reviewed and updated by our legal and compliance department from time to time:

- (i) Where we are required to make prepayments to certain online publishers for acquiring their traffic, we generally require our advertising customers that choose such online publishers to make prepayments to us so as to maintain our liquidity;
- (ii) We impose a limit on the maximum amounts of prepayments that are generally expected to cover traffic acquisition costs of seven to 14 days for each advertising customer, depending on its scale of business, industry reputation, track record and relationship with us; and
- (iii) We keep track of and regularly review our prepayments balances with each online publisher through our accounting system and when we notice any major unusual fluctuations we will conduct relevant investigations.

Value-added tax recoverable represents the deductible input VAT. Our value-added tax recoverable increased from nil as of December 31, 2017 to RMB0.5 million as of December 31, 2018, and further to RMB11.5 million as of December 31, 2019, and further to RMB22.8 million as of June 30, 2020, primarily due to the additional 10% input VAT deduction granted by the STA since April 2019.

Deposits represent amounts deposited with online publishers for user traffic acquisition. During the Track Record Period, we entered into tripartite framework agreements with advertising customers and online publishers, which required payment of deposits to guarantee minimum gross spending of advertising customers, failing to meet which such deposits would be forfeited by online publishers. Our deposits increased from RMB1.6 million as of December 31, 2017 to RMB16.6 million as of December 31, 2018, primarily due to the deposits paid to a mobile browser for acquiring its user traffic. Our deposits decreased from RMB16.6 million as of December 31, 2018 to RMB8.1 million as of December 31, 2019, primarily as we terminated cooperation with such mobile browser in the second quarter of 2019. Our deposits increased from RMB8.1 million as of December 31, 2019 to RMB12.5 million as of June 30, 2020, primarily because our payment of deposits on behalf of additional advertising customers pursuant to tripartite agreements entered into with a leading online publisher in the first half of 2020 in exchange for more favourable pricing of ad inventories.

As of October 31, 2020, RMB111.9 million, or approximately 82.0% of our prepayments as of June 30, 2020 had been subsequently utilized.

Trade Payables

The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Trade payables	48,552	147,771	179,633	115,041

Trade payables primarily represent outstanding amounts due to our suppliers for user traffic acquisition.

FINANCIAL INFORMATION

Our trade payables increased significantly by 204.4% from RMB48.6 million as of December 31, 2017 to RMB147.8 million as of December 31, 2018, and further increased by 21.6% to RMB179.6 million as of December 31, 2019, in line with the rapid growth of our online marketing solutions business. Our trade payables decreased by 36.0% from RMB179.6 million as of December 31, 2019 to RMB115.0 million as of June 30, 2020, generally in line with the reduced user traffic acquisition as the first half of each calendar year is generally our low season.

The following table sets forth an aging analysis of our trade payables, based on invoice date, as of the dates indicated:

	As of December 31,			As of June 30, 2020
	2017	2018	2019	
	(RMB'000)			
0 to 90 days	32,561	140,386	179,229	113,305
91 to 365 days	15,991	5,498	315	1,378
Over one year	—	1,887	89	358
Total	48,552	147,771	179,633	115,041

Our suppliers generally settle with us within 30 days to 90 days. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our trade payables turnover days were 26.8 days, 22.9 days, 18.5 days and 18.0 days, respectively. We calculate the trade payables turnover days using the average of the opening and closing trade payable balances for the year, divided by the total purchases of user traffic for the relevant period, multiplied by the number of days in the relevant period (365 days for 2017, 2018 and 2019 and 182 days for the six months ended June 30, 2020). Our trade payables turnover days decreased during the Track Record Period, primarily due to the growth of our total purchases of user traffic outpaced that of our trade payables, as we prepaid to certain of our major suppliers for user traffic acquisition.

As of October 31, 2020, RMB113.4 million, or approximately 98.6% of our trade payables as of June 30, 2020 had been subsequently settled.

Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30, 2020
	2017	2018	2019	
	(RMB'000)			
Payroll and bonus payables	1,242	3,708	5,784	4,966
Tax payables	2,862	4,581	5,106	9,729
Collections from customers	1,807	4,351	7,006	26,637
Other payables	475	12,423	7,001	9,070
Total	6,386	25,063	24,897	50,402

FINANCIAL INFORMATION

Payroll and bonus payables represent wages and bonuses payable to our employees. Our payroll and bonus payables increased from RMB1.2 million as of December 31, 2017 to RMB3.7 million as of December 31, 2018, and further increased to RMB5.8 million as of December 31, 2019, primarily due to the increases in the number of our employees and their average compensation level, in line with our business expansion. Our payroll and bonus payables decreased from RMB5.8 million as of December 31, 2019 to RMB5.0 million as of June 30, 2020, primarily due to payment of the 2019 annual bonus to our employees in the first half of 2020.

Collections from customers represent the pre-collected payment from customers seeking for our advertisement distribution services, the balance of which will be refunded if our customers terminate to purchase our services. Our collections from customers increased from RMB1.8 million as of December 31, 2017 to RMB4.4 million as of December 31, 2018, and further increased to RMB7.0 million as of December 31, 2019, reflecting and in line with the rapid growth of our online marketing solutions business. Our collections from customers increased from RMB7.0 million as of December 31, 2019 to RMB26.6 million as of June 30, 2020, primarily as a result of our stricter credit policy in 2020 that requires certain advertising customers to prepay for our online marketing solutions to offset the impact of certain online publishers' prepayment requirements on our liquidity.

Tax payables represent taxes other than income tax, including stamp duties and VAT, to be paid to the relevant government tax authorities. Our tax payables increased from RMB2.9 million as of December 31, 2017 to RMB4.6 million as of December 31, 2018, and further increased to RMB5.1 million as of December 31, 2019, in line with our business expansion. Our tax payables increased from RMB5.1 million as of December 31, 2019 to RMB9.7 million as of June 30, 2020, primarily due to the delay in the issuance of invoices caused by the outbreak of COVID-19.

Other payables increased significantly from RMB0.5 million as of December 31, 2017 to RMB12.4 million as of December 31, 2018, primarily as we declared dividends of RMB11.0 million to our shareholders in November 2018. Other payables decreased from RMB12.4 million as of December 31, 2018 to RMB7.0 million as of December 31, 2019, primarily as (i) we settled such dividend payables in January 2019; (ii) an increase of RMB4.5 million in professional fees payables in relation to the Listing; and (iii) payable of RMB1.5 million for the purchase of a website. Other payables increased from RMB7.0 million as of December 31, 2019 to RMB9.1 million as of June 30, 2020, primarily due to the accrued professional fees in relation to the Listing.

Our Directors confirm that we had no material defaults in our trade payables or other payables and accruals during the Track Record Period and up to the Latest Practicable Date.

Contract Liabilities

Our contract liabilities represent advance payments from our advertising customers for our online marketing solutions while the underlying services have not been provided. The table below sets forth revenue-related contract liabilities we recognized as of the dates as indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Included in current liabilities				
Online marketing services revenue . . .	5,000	16,319	37,353	62,756

FINANCIAL INFORMATION

Our contract liabilities increased from RMB5.0 million as of December 31, 2017 to RMB16.3 million as of December 31, 2018, and further increased to RMB37.4 million as of December 31, 2019, primarily due to the rapid growth of our online marketing solutions business from 2017 to 2019. Our contract liabilities increased from RMB37.4 million as of December 31, 2019 to RMB62.8 million as of June 30, 2020, primarily as a result of our stricter credit policy in 2020 that requires certain advertising customers to prepay for our online marketing solutions to offset the impact of certain online publishers' prepayment requirements on our liquidity.

The table below sets forth revenue we recognized during the Track Record Period in relation to carried-forward contract liabilities:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(unaudited)	
Revenue recognized that was included in the balance of contract liabilities	1,250	5,000	16,319	5,000	37,353

As of October 31, 2020, RMB47.6 million, or approximately 75.9% of our contract liabilities as of June 30, 2020 had been subsequently settled.

Lease Liabilities

We are the lessee in respect of certain properties as our office premises and office equipment for our operations under operating leases. Leases of properties generally have lease terms of one to four years. Office equipment generally has lease terms of 12 months or less and is individually of low value. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

The table below sets forth the carrying amount of our lease liabilities as of the dates as indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Carrying amount of lease liabilities				
Current portion	652	684	4,037	5,862
Non-current portion	1,523	839	756	3,809
Total	2,175	1,523	4,793	9,671

FINANCIAL INFORMATION

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness mainly consisted of bank borrowings, loans from related parties and lease liabilities.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2017	2018	2019	June 30,	October 31,
					2020
					2020
					(unaudited)
	(RMB'000)				
Included in current liabilities					
Bank borrowings					
— Short-term borrowings ⁽¹⁾	—	27,800	91,547	80,942	151,299
Loans from related parties	—	450	—	—	—
Current portion of lease liabilities	652	684	4,037	5,862	5,385
Sub-total	652	28,934	95,584	86,804	156,684
Included in non-current liabilities					
Non-current portion of lease liabilities	1,523	839	756	3,809	1,917
Total	2,175	29,773	96,340	90,613	158,601

Note:

(1) The terms of such bank borrowings were less than one year, and such bank borrowings were guaranteed by certain of our related parties and certain non-bank financial institutions. See Note 25 in “Appendix I — Accountants’ Report” to this prospectus for details.

Our bank borrowings during the Track Record Period were denominated in Renminbi and were used to finance our working capital requirements. As of December 31, 2017, 2018 and 2019, June 30, 2020 and October 31, 2020, the weighted average interest rate of our bank borrowings was 5.5%, 6.1%, 6.0%, 5.3% and 5.6%, respectively.

Our Directors confirm that there has been no material change in our indebtedness position since October 31, 2020, being the latest practicable date for the purpose of the indebtedness statement.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing. As of October 31, 2020, we had unutilized credit facilities of RMB35.0 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

FINANCIAL INFORMATION

Contingent Liabilities

We did not have, as of October 31, 2020, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interest and classified as owners' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated:

	As of December 31,			As of June	Relationship with our Group
	2017	2018	2019	30, 2020	
	(RMB'000)				
Amounts due from related parties:					
Trade in nature					
Baixing Net ⁽¹⁾	95	–	–		– An entity controlled by our Director
Shanghai Buwei ⁽¹⁾	3,327	–	–		– An associate
Total	3,422	–	–	–	
Amounts due to related parties:					
Trade in nature					
Baixing Net ⁽²⁾	84	15	38	38	An entity controlled by our Director
Kijiji ⁽²⁾	258	5,395	237	237	Our shareholder
Shangzequn ⁽²⁾	70	70	70	70	An entity controlled by our Director
Horgos Buwei ⁽³⁾	–	–	1,600		– An associate
Shanghai Buwei ⁽³⁾	–	–	1,400		– An associate
Yunlin Culture ⁽⁴⁾	–	–	23		– An associate
Sub-total	412	5,480	3,368	345	
Non-trade in nature					
Mr. Xu ⁽⁵⁾	–	450	–		– Our Director
Total	412	5,930	3,368	345	

Notes:

- (1) Represented service fees due from related parties for our pan-entertainment content services.
- (2) Represented prepayments to us for our online marketing solutions. Kijiji and Shangzequn are subsidiaries of Baixing Net.
- (3) Represented prepayments to us for our content production services. Horgos Buwei is a wholly owned subsidiary of Shanghai Buwei.
- (4) Represented service fees due to a related party for its content production services.
- (5) Represented loans from our shareholder to finance our working capital.

FINANCIAL INFORMATION

For details regarding the transactions with related parties during the Track Record Period, see Note 30(a) in “Appendix I — Accountants’ Report” in this prospectus.

In addition to the shareholder loans from Mr. Xu stated above, we had borrowings from and repayment of borrowings to certain other related parties during the Track Record Period. See Note 30(a) in Appendix I to this prospectus for details. In particular, in order to accommodate our anticipated needs of working capital in support of the then rapid growth of our online marketing solutions business, we obtained a shareholder loan of RMB100.0 million with an annual interest rate at 5% from Baixing Net utilized by its general working capital, the holding company of Kijiji, one of the then existing shareholders of Netjoy Network, in May 2018 and repaid such loan in December 2018. As of June 30, 2020, our bank borrowings with principal amounts and interests thereon of RMB80.9 million were guaranteed by certain related parties, which will be released upon the Listing.

As of June 30, 2020, we had settled all non-trade amounts due from/to related parties. We will discontinue all non-trade related party transactions upon the Listing, except as in compliance with the Listing Rules.

It is the view of our Directors that each of the related party transactions set out in Note 30 of the Accountants’ Report in Appendix I to this prospectus (i) was conducted on normal and arm-length commercial terms, which is considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) did not distort our results during Track Record Period or make our historical results not reflective of future performance.

KEY FINANCIAL RATIOS

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

	Year ended December 31,			Six months ended June 30, 2020
	2017	2018	2019	
	%			
Profitability ratios				
Gross profit margin ⁽¹⁾	21.1	9.1	6.9	10.6
Net profit margin ⁽²⁾	14.0	5.9	3.2	7.2
Return on equity ⁽³⁾	44.1	33.4	25.9	N/A
Return on assets ⁽⁴⁾	23.6	16.0	11.4	N/A
	As of December 31,			As of June 30,
	2017	2018	2019	2020
Liquidity ratios				
Current ratio ⁽⁵⁾	2.14	1.89	1.68	1.90
Quick ratio ⁽⁶⁾	2.14	1.89	1.68	1.90
Capital adequacy ratio				
Gearing ratio (%) ⁽⁷⁾	2.9	14.1	34.2	26.7
Net debt to equity ratio (%) ⁽⁸⁾	N/A ⁽⁹⁾	11.3	21.8	13.5

FINANCIAL INFORMATION

Notes:

- (1) Gross profit margin is calculated based on gross profit for the year/period divided by revenue for the respective year/period and multiplied by 100%.
- (2) Net profit margin is calculated based on profit for the year/period divided by revenue for the respective year/period and multiplied by 100%.
- (3) Return on equity is calculated based on profit for the year divided by total equity at the end of the year and multiplied by 100%.
- (4) Return on assets is calculated based on profit for the year divided by total assets at the end of the year and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities.
- (6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities. Our quick ratio equaled to our current ratio as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively as we did not have inventories balance as of the same dates.
- (7) Gearing ratio is calculated based on total borrowings (including bank and other borrowings and lease liabilities) divided by total equity multiplied by 100%.
- (8) Net debt to equity ratio is calculated based on total borrowings (including bank and other borrowings and lease liabilities) less cash and cash equivalents divided by total equity multiplied by 100%.
- (9) Net debt to equity ratio as of December 31, 2017 was not applicable as we had net cash as of the same date.

See “— Period to Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

Return on Equity

Our return on equity decreased from 44.1% in 2017 to 33.4% in 2018, primarily due to the increase in total equity as a result of capital contributions of RMB78.0 million from Wutong Holding. Our return on equity decreased from 33.4% in 2018 to 25.9% in 2019, primarily as the increase of our total equity outpaced that of our profit for the year.

Return on Assets

Our return on assets decreased from 23.6% in 2017 to 16.0% in 2018 and further decreased to 11.4% in 2019, primarily as the increase of our assets outpaced that of our profit for the year. The increase in assets was mainly attributable to the increases in trade receivables and prepayments, other receivables and other assets, in line with the rapid growth of our online marketing solutions business.

Current Ratio

Our current ratio decreased from 2.14 as of December 31, 2017 to 1.89 as of December 31, 2018 and further decreased to 1.68 as of December 31, 2019, primarily as the increase of our total current liabilities outpaced that of our total current assets. The increase in our total current liabilities was mainly attributable to the increases in contract liabilities and bank borrowings, in line with and to support the rapid growth of our online marketing solutions business.

Our current ratio increased from 1.68 as of December 31, 2019 to 1.90 as of June 30, 2020, primarily due to (i) an increase in prepayments, other receivables and other assets as a result of our business expansion with leading online publishers that require prepayments for acquiring their traffic; and (ii) a decrease in trade payables generally in line with the reduced user traffic acquisition during low season.

FINANCIAL INFORMATION

Gearing Ratio

Our gearing ratio increased from 2.9% as of December 31, 2017 to 14.1% as of December 31, 2018 and further to 34.2% as of December 31, 2019, primarily due to the increases in bank borrowings to support our business expansion. Our gearing ratio decreased from 34.2% as of December 31, 2019 to 26.7% as of June 30, 2020, primarily due to an increase in total equity as a result of the large amount of net profit earned in the first half of 2020.

Net debt to equity Ratio

Our net debt to equity ratio increased from 11.3% as of December 31, 2018 to 21.8% as of December 31, 2019, primarily due to the increase in bank borrowings to support our business expansion. Our net debt to equity ratio decreased from 21.8% as of December 31, 2019 to 13.5% as of June 30, 2020, primarily due to an increase in total equity as a result of the large amount of net profit earned in the first half of 2020.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, see Note 34 in the Accountants' Report set out in Appendix I to this prospectus.

Credit Risk

Our credit risk is primarily attributable to trade receivables, financial assets included in prepayments, other receivables and other assets, and cash deposits at banks. The maximum exposure to credit risk is represented by the gross carrying amounts of these financial assets in our consolidated statements of financial position.

Management has a credit policy in place and the exposure to these credit risks is monitored on an on-going basis. As part of our credit policy, we only trade with recognized and credit worthy third parties and require that all debtors who which to trade on credit terms are subject to credit verification procedures. Therefore, our exposure to bad debts is not significant. There are no significant concentrations of credit risk as the customer bases of our trade receivables are widely dispersed.

Liquidity Risk

We manage liquidity risk by closely and continuously monitoring our financial position. We aim to maintain adequate cash and cash equivalents to meet our liquidity requirements, finance our business operations and mitigate the effects of fluctuations in cash flows. Please see Note 34 to the Accountants' Report set forth in Appendix I to this prospectus for more details about our financial liabilities by different maturity groups.

DIVIDENDS

Netjoy Network declared dividends of RMB11.0 million to its shareholders in November 2018, which was settled in January 2019. In addition to cash dividends, Netjoy Network distributed bonus shares as dividends to the then existing Shareholders in 2017 and 2018, amounting to RMB12.9 million and RMB13.8 million, respectively. Other than that, no dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

FINANCIAL INFORMATION

Subject to the Cayman Companies Law and our Articles of Association, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profits or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2020, the Company did not have any distributable reserves available for distribution to Shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, excluding any discretionary incentive fee which may be payable by us) for the Global Offering are approximately RMB82.6 million, representing 7.7% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB19.9 million, of which approximately RMB16.0 million were charged to the consolidated statements of profit or loss for the year ended December 31, 2019 and the six months ended June 30, 2020, as administrative expenses and approximately RMB3.9 million was capitalized in the consolidated statements of financial position as of June 30, 2020 to be charged against equity upon successful Listing. We expect to incur additional listing expenses of approximately RMB62.7 million, of which approximately RMB16.2 million is expected to be recognized as administrative expenses and approximately RMB46.5 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2020.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to show the effect of the Global Offering on our net tangible assets as of June 30, 2020, as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as of June 30, 2020 or at any future date. The unaudited pro forma statement of adjusted

FINANCIAL INFORMATION

net tangible assets is based on the unaudited consolidated total net tangible assets of the Group attributable to the owners of the Company as of June 30, 2020 derived from the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Consolidated tangible assets attributable to owners of the Company as of June 30, 2020 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of June 30, 2020	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of June 30, 2020 ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of June 30, 2020 ⁽⁴⁾
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)	(HK\$ equivalent)
Based on an Offer Price of					
HK\$5.56 per Share	330,885	865,928	1,196,813	1.50	1.76
Based on an Offer Price of					
HK\$7.08 per Share	330,885	1,113,511	1,444,396	1.81	2.13

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as of June 30, 2020 is arrived at after deducting other intangible assets of RMB7,952,000 from consolidated equity attributable to owners of the Company of RMB338,837,000 as of June 30, 2020, as shown in the Unaudited Interim Financial Information, the text of which is set forth in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on an Offer Price of HK\$5.56 and HK\$7.08, after deducting the underwriting fees and other related expenses without taking account of the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at on the basis that 800,000,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2020. No adjustment has been made to the pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2020.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.84835 to HK\$1.00.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2020, being the date of the latest audited consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into certain cornerstone investment agreements with the cornerstone investors (collectively the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe for, or cause their designated entities to subscribe for, certain number of the Offer Shares (rounded down to the nearest board lot of 1,000 Shares) that may be subscribed for at an aggregate amount of US\$39 million, or approximately HK\$302.29 million at the Offer Price (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$7.08 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 42,691,000, representing approximately 21.35% of the Offer Shares and approximately 5.34% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

Based on the Offer Price of HK\$6.32 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 47,825,000, representing approximately 23.91% of the Offer Shares and approximately 5.98% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

Based on the Offer Price of HK\$5.56 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 54,366,000, representing approximately 27.18% of the Offer Shares and approximately 6.80% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience, in particular in the online marketing industry, the Cornerstone Placing will help to raise the profile of our Company and signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through introduction from the Underwriters in the Global Offering.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue immediately following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than those to be subscribed for pursuant to their respective cornerstone investment agreements. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of the Cornerstone Investors become a substantial Shareholder (as defined in the Listing Rules) of our Company.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) each of the Cornerstone Investors is independent from the other Cornerstone Investors; (iii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our Directors, chief executive, substantial

CORNERSTONE INVESTORS

Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iv) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, our Directors, chief executive, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates.

As confirmed by each of the Cornerstone Investors, its subscription under the Cornerstone Placing would be financed by its own internal resources. There are no side agreements or arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure and Conditions of the Global Offering – The Hong Kong Public Offering” in this prospectus. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around December 16, 2020. There is no mechanism for the delayed settlement of the investment amounts or deferred delivery arrangement in respect of the shares to be subscribed by the Cornerstone Investors in the respective cornerstone investment agreements.

THE CORNERSTONE INVESTORS

The following tables set forth details of the Cornerstone Placing and approximate percentage of total number of Offer Shares and percentage of total issued share capital of our Company upon Listing (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), based on different Offer Price scenarios:

		Based on Offer Price of HK\$7.08 (being the high-end of the indicative Offer Price range)				
		Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering		
Cornerstone Investor (each as defined below)	Investment Amount ⁽¹⁾	Number of Offer Shares to be subscribed for ⁽²⁾	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
AHAM	US\$20 million	21,894,000	10.95%	9.52%	2.74%	2.74%
HSBC AM HK	US\$5 million	5,473,000	2.74%	2.38%	0.68%	0.68%
PAMC	US\$5 million	5,473,000	2.74%	2.38%	0.68%	0.68%
Seedlings Fund	US\$4 million	4,378,000	2.19%	1.90%	0.55%	0.55%
Green Better	US\$3 million	3,284,000	1.64%	1.43%	0.41%	0.41%
SensePower Management . . .	US\$2 million	2,189,000	1.09%	0.95%	0.27%	0.27%
Total	US\$39 million	42,691,000	21.35%	18.56%	5.34%	5.34%

Notes:

(1) Calculated based on the exchange rate as disclosed in this prospectus. The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate as provided in the relevant cornerstone investment agreement; and

CORNERSTONE INVESTORS

(2) Rounded down to nearest whole board lot of 1,000 Shares.

		Based on Offer Price of HK\$6.32 (being the mid-point of the indicative Offer Price range)				
		Number of Offer Shares to be subscribed for ⁽²⁾	Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering	
Cornerstone Investor (each as defined below)	Investment Amount ⁽¹⁾		Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
AHAM	US\$20 million	24,527,000	12.26%	10.66%	3.07%	3.07%
HSBC AM HK	US\$5 million	6,131,000	3.07%	2.67%	0.77%	0.77%
PAMC	US\$5 million	6,131,000	3.07%	2.67%	0.77%	0.77%
Seedlings Fund	US\$4 million	4,905,000	2.45%	2.13%	0.61%	0.61%
Green Better	US\$3 million	3,679,000	1.84%	1.60%	0.46%	0.46%
SensePower Management	US\$2 million	2,452,000	1.23%	1.07%	0.31%	0.31%
Total	US\$39 million	47,825,000	23.91%	20.79%	5.98%	5.98%

Notes:

- (1) Calculated based on the exchange rate as disclosed in this prospectus. The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate as provided in the relevant cornerstone investment agreement; and
- (2) Rounded down to nearest whole board lot of 1,000 Shares.

		Based on Offer Price of HK\$5.56 (being the low-end of the indicative Offer Price range)				
		Number of Offer Shares to be subscribed for ⁽²⁾	Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering	
Cornerstone Investor (each as defined below)	Investment Amount ⁽¹⁾		Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
AHAM	US\$20 million	27,880,000	13.94%	12.12%	3.49%	3.49%
HSBC AM HK	US\$5 million	6,970,000	3.49%	3.03%	0.87%	0.87%
PAMC	US\$5 million	6,970,000	3.49%	3.03%	0.87%	0.87%
Seedlings Fund	US\$4 million	5,576,000	2.79%	2.42%	0.70%	0.70%
Green Better	US\$3 million	4,182,000	2.09%	1.82%	0.52%	0.52%
SensePower Management	US\$2 million	2,788,000	1.39%	1.21%	0.35%	0.35%
Total	US\$39 million	54,366,000	27.18%	23.64%	6.80%	6.80%

Notes:

- (1) Calculated based on the exchange rate as disclosed in this prospectus. The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate as provided in the relevant cornerstone investment agreement; and
- (2) Rounded down to nearest whole board lot of 1,000 Shares.

CORNERSTONE INVESTORS

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

AHAM

Affin Hwang Asset Management Berhad (“**AHAM**”) is an independently-managed and bank-backed asset management firm, which was incorporated in Malaysia on May 2, 1997 and began its operations in 2001, serving the needs of corporates, institutions, pension funds, government-linked companies, high net worth individuals and the mass affluent. AHAM has a total asset of approximately RM65 billion (equal to approximately HKD123 billion) under management as at September 30, 2020.

AHAM is held as to 63% by Affin Hwang Investment Bank Berhad (“**AHIB**”) and as to 27% by Nikko Asset Management International Limited (“**Nikko AM**”). AHIB is part of the Affin Banking Group which has over 38 years of experience in financial industry focusing on commercial, Islamic and investment banking services, money broking, fund management and underwriting of life and general insurance business, while Nikko AM is a leading independent Asian investment management franchise.

HSBC AM HK

HSBC Global Asset Management (Hong Kong) Limited (“**HSBC AM HK**”) is a wholly-owned subsidiary of HSBC Holdings plc (together with its subsidiaries, “**HSBC Group**”), a company listed on the Stock Exchange (stock code: 0005) and several other oversea stock exchanges and one of the group of legal entities that form HSBC Global Asset Management. For the purpose of this cornerstone investment, HSBC AM HK will act as the investment manager or investment adviser for and on behalf of the collective investment schemes to subscribe for and hold such Offer Shares. No approval from the shareholders of HSBC Holdings plc or relevant stock exchanges is required for HSBC AM HK’s investment to the Company as described in this section.

HSBC Global Asset Management is the asset management arm of HSBC Group, with a vision to be the trusted asset management partner to its clients, helping them thrive by capturing global growth opportunities. HSBC Global Asset Management has been engaged in investment management services since 1973. In 1994, HSBC Asset Management was established when HSBC’s regional asset management companies were brought together into a single global asset management business, offering investment capabilities to retail, corporate, institutional and sovereign clients worldwide. HSBC Global Asset Management is a major global investment firm managing assets totaling US\$516.4 billion, of which US\$89.2 billion, representing approximately 17% of total firm assets, is managed by the team based in Hong Kong. Its capabilities span all the main asset classes, including equities, fixed income, multi-asset, liquidity and alternative strategies.

PAMC

Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司) (“**PAMC**”) was incorporated in June 2006 in the PRC with the approval of China Insurance Regulatory Commission (中國保險監督管理委員會). China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司), a company listed in both the Shanghai Stock Exchange (stock code: 601601) and the Stock Exchange (stock code: 2601), directly and indirectly holds 99.7% equity interest of PAMC. No approval from the shareholders of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司) or relevant stock exchanges is required for PAMC’s investment to the Company as described in this section.

PAMC mainly engages in management of capital and insurance funds, outsourcing of asset management, consulting services relating to asset management, and other asset management business as permitted under the PRC laws and regulations.

PAMC is ultimately controlled by China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司), which is an insurance group company established on the basis of the former China

CORNERSTONE INVESTORS

Pacific Insurance Company Limited (中國太平洋保險公司) (“**China Pacific**”) which was incorporated in May 1991. Headquartered in Shanghai, China Pacific is a leading comprehensive insurance group in China and listed in both the Shanghai Stock Exchange (stock code: 601601) and the Stock Exchange (stock code: 2601).

Seedlings Fund

Shanghai Zizhu Seedlings Equity Investment Fund Limited (上海紫竹小苗股權投資基金有限公司) (“**Seedlings Fund**”) is a wholly-owned subsidiary of Shanghai Zizhu High-Tech Park (Group) Co. LTD (上海紫竹高新區(集團)有限公司), which is in turn held by Shanghai Zijiang Holdings (Group) Co., Ltd. (上海紫江(集團)有限公司) as to approximately 50.25%, a private investment holding group rooted in Shanghai.

Seedlings Fund primarily engages in equity investment with focus on technology-driven project investment, the new generation of information technology, intelligent manufacturing, as well as other fields of scientific and technological innovation. Seedlings Fund also provides its portfolio enterprises with multiple value-added services, including strategic planning, corporate governance, refinancing, management improvement, resource match-making, capital operation, etc.

For the purpose of this cornerstone investment, Seedlings Fund has engaged Hua An Fund Management Co., Ltd., an asset manager that is qualified domestic institutional investor as approved by the relevant PRC authority, in the name of HUAAN-ZZXN-(QDII) SINGLE ASSET MANAGEMENT PLAN to subscribe for and hold such Offer Shares on a non-discretionary basis on behalf of Seedlings Fund.

Green Better

Green Better Limited (“**Green Better**”) is an investment company incorporated in the British Virgin Islands. Green Better is a wholly-owned subsidiary of Xiaomi Corporation, a company listed on the Stock Exchange (stock code: 1810). Xiaomi Corporation is a China-based investment holding company principally engaged in the research, development and sales of smartphones, Internet of things and lifestyle products, the provision of Internet services, and investment business. No approval from the shareholders of Xiaomi Corporation or the Stock Exchange is required for Green Better’s investment to the Company as described in this section.

SensePower Management

SensePower Management Limited (“**SensePower Management**”) is a company incorporated in the British Virgin Islands which primarily engages in investment holding. SensePower Management is indirectly wholly owned by SenseTime Group Inc. (“**SenseTime**”) and the ultimate beneficial owner of which is Dr. Tang Xiao’ou, a professor at the Department of Information Engineering of the Chinese University of Hong Kong. SenseTime is primarily engaged in developing innovative AI technologies, including deep learning platform and supercomputing center. It has launched a series of artificial intelligence technologies, including face recognition, image recognition, text recognition, medical image recognition, video analysis, driverless and remote sensing.

We have provided our online marketing solutions services and pan-entertainment content services to Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司) (“**Beijing SenseTime**”), a subsidiary of SenseTime, since 2019. For the year ended December 31, 2019 and the six months ended June 30, 2020, the aggregate revenue generated from the aforementioned transactions were approximately RMB0.34 million and RMB5.25 million, respectively, which are both accounted for less than 1.0% of our total revenue. In addition, we are currently in the process of cooperating with Beijing SenseTime to develop software for improving our production capability of short videos.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (for itself and on behalf of the other underwriters of the Global Offering);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares to be subscribed for by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the relevant cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings, confirmations and acknowledgements of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that without the prior written consent of each of our Company, the Sole Global Coordinator and the Sole Sponsor, it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date, dispose of, in any way, any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries or affiliates who will be bound by the same obligations of such Cornerstone Investor.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,166.6 million, assuming an Offer Price of HK\$6.32 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions, and estimated expenses paid or payable by us in relation to the Global Offering.

In line with our strategies, we intend to apply the net proceeds from the Global Offering for the following purposes and in the amounts set forth below:

- approximately 13.6% of the net proceeds, or HK\$158.6 million, will be used to enhance our research and development capabilities, in particular machine learning algorithms and AI capabilities, and improve our information technology infrastructure. Specifically, in the next three years, we intend to use:
 - approximately 9.1%, or HK\$106.5 million, to upgrade our information technology infrastructure, including (i) approximately HK\$75.6 million for the development of proprietary AI technologies or acquisitions of relevant AI software or system to improve the content management and distribution capabilities of our smart internal content management and distribution system and campaign optimization capabilities of our smart internal advertising campaign management system. In particular, approximately HK\$31.9 million will be used for enhancing our algorithm-based big data analytics capability to achieve automatic and programmatic optimization of campaign performance and better marketing results. We expect to reinforce our capabilities of predicting marketing results and identifying target consumers more precisely as well as real-time monitoring and optimizing campaign performance more promptly to better serve existing advertisers and to attract advertisers to cooperate with us directly rather than through advertising agencies. Furthermore, approximately HK\$43.6 million will be used for AI software in upgrading our content exchange platform. We expect this platform to achieve automatic production and distribution of short video advertisements, such as automatic assembly of ad creatives to generate short video advertisements; (ii) approximately HK\$16.0 million for the connection of our smart internal content management and distribution system with ad networks through SDKs to match content with suitable distribution platforms; and (iii) approximately HK\$14.9 million for the recruitment of around 18 system engineers with more than three years’ relevant experiences to develop the abovementioned AI technologies, and upgrade, operate and maintain our smart internal systems. For details, see “Business — Our Strategies — Enhance our big data analytics and AI capabilities;”
 - approximately 3.6%, or HK\$42.4 million, to upgrade our proprietary DMP to enhance our data collection, storage and analysis capabilities, including (i) approximately HK\$29.6 million for the purchases of GPU servers and additional database servers to improve the real-time optimization and the programmatic advertising precision of our DMP; and (ii) approximately HK\$12.8 million for the recruitment of around 15 big data analytics staff to enhance our algorithms computing capability and big data analytics capability. For details, see “Business — Research and Development;”

FUTURE PLANS AND USE OF PROCEEDS

- approximately 0.6%, or HK\$7.5 million, to upgrade our full service content production, exchange and distribution platform to diversify our business models and revenue resources, including the recruitment of nine platform engineers with more than three years' relevant experiences. For details, see "Business — Our Strategies — Continue to unleash the monetization potential of our content production, exchange and distribution platform that offers full cycle services;" and
- approximately 0.2%, or HK\$2.3 million, to optimize the visual design of our pan-entertainment platform to acquire more visitors and increase user engagement, which in turn will attract advertising customers and improve the monetization efficiency of our *Huabian* Platform. We plan to recruit three UI designers with more than one year's relevant experience to improve the visual effect and content display of our *Huabian* Platform.
- approximately 57.6% of the net proceeds, or HK\$671.7 million, will be used to expand our business by enhancing our relationships with existing media partners, enlarging our advertiser and media partner bases and diversifying our revenue resources. Specifically, in the next three years, we intend to use:
 - approximately 48.4%, or HK\$564.2 million, to enhance our relationships with existing media partners and enlarge our advertiser and media partner bases, including (i) approximately HK\$53.2 million over the next three years for the recruitment of around 70 sales and marketing staff with more than three years' relevant experiences to explore new advertisers and media partners to support our business expansion, which is in line with the historical increase in the number of our sales and marketing staff. We plan to devote more sales and marketing staff to identifying potential advertisers in rapidly growing industry verticals to achieve sustainable growth. In particular, we plan to recruit ten sales and marketing staff for exploring business opportunities in the online education and e-commerce industries, respectively. In addition, we plan to recruit 50 general sales and marketing staff to seek and serve emerging media partners and advertisers from other industries; and (ii) approximately HK\$511.0 million for enhancing our relationships with existing top online publishers and exploring new advertisers and media partners. In particular, approximately HK\$241.4 million will be used for expanding the scale of our business with existing top online publishers, such as Supplier A's short video platforms and Kuaishou, as they usually require prepayments before acquiring their user traffic. Secondly, approximately HK\$144.9 million will be used for exploring new advertisers. We are in the process of negotiating with several industry leading advertisers that have higher marketing budgets but request longer credit periods than small-to-medium advertisers. Our future transactions with these major advertisers with longer credit periods will result in substantial cash requirements. Thirdly, approximately HK\$124.7 million will be used for enlarging our media partner base as certain leading online publishers require deposits to guarantee an expected level of gross spending consumed by advertisers and/or online marketing solutions providers. We plan to establish business relationships with two to four additional leading short video platforms or social media platforms with average DAUs of more than 10.0 million to further expand our business. We also plan to substitute debt financing with the net proceeds from the Global Offering in order to reduce our financing costs. For details, see "Business — Our Strategies — Expand our advertising customer base and explore opportunities in specific industry verticals;"

FUTURE PLANS AND USE OF PROCEEDS

- approximately 5.5%, or HK\$64.4 million, to enhance our content production capabilities, including (i) approximately HK\$32.5 million for improving our content production capability to achieve mass and smart production of short videos and expand our ad creatives inventory. In particular, approximately HK\$13.2 million will be used for the investment in the research and development of AI video processing software to achieve mass and smart production of short videos. We are currently in the process of cooperating with a leading AI company to develop such software, which is expected to enable us to achieve, among others, automatic removal of the background green screen, automatic translation of sound or characters into subtitles as well as mass production of short videos of the same topic utilizing templates. Secondly, approximately HK\$14.2 million will be used for the purchases of ad creatives from third party content providers and content production software, such as sound and visual editing software, to satisfy our advertising customers' growing demand for attention catching advertisements. Thirdly, approximately HK\$5.1 million will be used for the rental of filming locations with a lease term of three years and the relevant setting up expenses to produce more ad creatives; and (ii) approximately HK\$31.9 million over the next three years for the recruitment of around 30 content production staff with more than three years' relevant experiences consisting of top KOL, screenwriters, and filming, editing and post-production professionals to support our business expansion, which is in line with the historical increase in the number of our content production staff; and
- approximately 3.7%, or HK\$43.1 million, to expand our domestic and international footprints. To capture the opportunities of certain short video platform's global expansion, we plan to establish offices and recruit operation and sales and marketing staff in certain key areas in China and overseas to enhance our customer service.
- approximately 18.8% of the net proceeds, or HK\$219.7 million, will be used to pursue strategic investments in and acquisitions of upstream and downstream industry participants, taking into accounts the potential business growth, track record, industry reputation, advanced technologies, volume of user traffic, content production capability of the target companies as well as the expected synergies to be achieved by us. We plan to invest in upstream industry participants that can improve and diversify our ad creative inventory, such as MCN, KOL or event marketing companies. We plan to invest in downstream industry participants that can improve our quality and operational efficiency which in turn can strengthen our relationships with advertisers and online publishers, such as media platforms with high volume traffic and big data companies with advanced AI capabilities. Specifically, we plan to invest in one to two companies with more than three years of successful track record and net profit of RMB10.0 million to RMB20.0 million as our subsidiaries. In addition, we also plan to acquire minority equity interests in five to six companies that focus on emerging businesses and are experiencing high growth of traffic. We would expect to invest RMB3.0 million to RMB10.0 million in each of such target companies with valuation of around RMB10.0 million to RMB50.0 million. We expect that a portion of such investments would be funded by the net proceeds from the Global Offering, with the remaining to be funded by bank borrowings and cash inflow from our operating activities. As of the Latest Practicable Date, we had not identified any investment or acquisition target; and
- approximately 10.0% of the net proceeds, or HK\$116.7 million, will be used for working capital and general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth the expected implementation timetable of our planned use of our proceeds:

	For the year ended December 31,			
	2021	2022	2023	Total
	(HK'000)			
Enhancing research and development capabilities and upgrading information technology infrastructure				
Upgrading information technology infrastructure	21,290	37,258	47,903	106,451
Upgrading proprietary DMP	8,516	12,668	21,184	42,368
Upgrading full service content production, exchange and distribution platform	1,863	2,661	2,927	7,451
Visual optimization of <i>Huabian</i> Platform	639	798	905	2,342
Expanding business				
Enlarging advertise and media partner bases ..	319,353	159,677	85,161	564,191
Enhancing content production capabilities	13,306	21,290	29,806	64,402
Expanding domestic and international footprints	7,984	15,435	19,693	43,112
Pursuit of strategic investments and acquisitions	73,220	73,220	73,220	219,660
Working capital and general corporate purposes	58,332	29,166	29,166	116,664
Total	504,503	352,173	309,965	1,166,641

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is not exercised, the net proceeds to be received by us will be increased or decreased by approximately HK\$145.9 million, respectively. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

We will not receive any of the net proceeds from the exercise of the Over-allotment Option. The Over-allotment Option Grantors may be required to sell up to an aggregate of 30,000,000 Shares. If the Over-allotment Option is exercised in full, the net proceeds that the Over-allotment Option Grantors will receive will be approximately HK\$182.0 million (assuming an Offer Price of HK\$6.32 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus).

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we only intend to place such proceeds in short-term interest-bearing deposits with licensed banks or authorized financial institutions in Hong Kong or China.

UNDERWRITING

HONG KONG PUBLIC OFFER UNDERWRITERS

Haitong International Securities Company Limited

DBS Asia Capital Limited

China Galaxy International Securities (Hong Kong) Co., Limited

China Securities (International) Corporate Finance Company Limited

BOCOM International Securities Limited

BOCI Asia Limited

AMTD Global Markets Limited

Futu Securities International (Hong Kong) Limited

SBI China Capital Financial Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company, for ourselves, agreeing to the final Offer Price), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for 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 and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (1) there has come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement:
 - a. any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - b. any material breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

UNDERWRITING

- c. that any statement contained in any of this prospectus, the Application Forms and/or in any public notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto but excluding information furnished by the Underwriters, being the logo, market name, legal name and address of such Underwriters and expert qualification of the sponsor appearing in these documents) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
- d. that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus (including any supplement or amendment thereto); or
- e. any matter, event, act or omission which gives rise to any material liability of the Company or the Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- f. any material adverse change or development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, performance of the Company and the other members of the Group, taken as a whole; or
- g. approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- h. the Company withdraws this prospectus, the Application Forms or the Global Offering; or
- i. Ernst & Young as the reporting accountants, DeHeng Law Offices as the legal advisers to the Company on PRC law, Harney Westwood & Riegels as the legal advisers to the Company on Cayman Islands law in relation to the Global Offering, or Shanghai iResearch Co., Ltd as the independent industry consultant, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations 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

UNDERWRITING

- (2) there shall have developed, occurred, happened or come into effect:
- a. 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, regulatory, currency, credit or market conditions or any monetary or trading settlement 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), the Cayman Islands or the British Virgin Islands (each a “**Relevant Jurisdiction**”); or
 - b. any new national, central, federal, provincial, state, regional, municipal, local, domestic or foreign law (including, without limitation, any common law or case law), statute, ordinance, legal code, regulation or rule (including, without limitation, any and all regulation, rule, order, judgment, decree, ruling, opinion, guideline, measure, notice or circular (in each case, whether formally published or not and to the extent mandatory or, if not complied with, the basis for legal, administrative, regulatory or judicial consequences) of any Authority (as defined below)) (“**Law**”) or any change or development involving a prospective change in existing Law, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - c. 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 Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London 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), or any other Relevant Jurisdiction, or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
 - d. 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
 - e. any litigation, or claim, or investigation or actions being announced, threatened or instigated against any Group company; or

UNDERWRITING

- f. the imposition of economic sanctions or withdrawal of trading privileges in respect of any jurisdiction relevant to the material business operations of the Group, in whatever form, by, or for, any Relevant Jurisdiction; or
- g. a Director as named in this prospectus 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
- h. any executive Director vacating his or her office; or
- i. 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 (each an “**Authority**”) of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any executive Director; or
- j. a contravention by any Group company of the Listing Rules or the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance; or
- k. a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Global Offering; or
- l. 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 Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- m. the issue or requirement to issue by the 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 Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC unless such supplemental or amendment has been issued with the prior consent of the Sole Sponsor; or
- n. 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 infectious diseases or epidemics or pandemics (including, but not limited to, Severe Acute Respiratory Syndrome (SARS), H1N1 and H5N1, such related/mutated forms and the escalation of such disease) or 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 the Relevant Jurisdictions; or
- o. any change or prospective change which has the effect of a materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- p. 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 the Group or anything analogous thereto occurring in respect of any member of the Group; or

UNDERWRITING

- q. a valid demand by any creditor for repayment or payment of any member of the Group's indebtedness prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (i) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
- (ii) has or will 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
- (iii) makes or will or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed as envisaged or to market the Global Offering; or
- (iv) has or will or is likely to have the effect of making any part of the 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.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Global Offering and the Post-IPO Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted under the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders (a group of AIC Parties) of the Company immediately upon the Listing, have undertaken to the Stock Exchange and to our Company that:

- (1) at any time in the period commencing on the date by reference to which disclosure of their shareholding interests in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, they shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown by this prospectus to be the beneficial owner; and

UNDERWRITING

- (2) at any time in the period of six months commencing on the date on which the period referred to in paragraph (1) above expires, they shall not and shall procure the relevant registered holder(s) shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders (a group of AIC Parties) have undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of their shareholding interests in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will:

- (1) when any of them pledges or charges any securities or interests in any securities of the Company beneficially owned by them, whether directly or indirectly, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (2) when any of them receives indications, either verbal or written, from the pledgee or chargee of any Shares or securities that any of the pledged or charged Shares or securities will be disposed of, immediately inform our Company in writing of such indications.

Our Company shall also inform the Stock Exchange as soon as it has been informed of the above matters (if any) referred to in paragraph (1) and (2) above by any of the Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken that, except for (i) the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering, (ii) the issue of Shares pursuant to the Capitalisation Issue, or (iii) the grant of, and the issue of Shares pursuant to the exercise of, any options to be granted under the Post-IPO Share Option Scheme, we will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (1) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, 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 agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company 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 deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts;

UNDERWRITING

- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, 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
- (3) enter into any transaction with the same economic effect as any transaction set out in paragraphs (1) or (2) above; or
- (4) offer to or agree to or announce any intention to effect any transaction specified in (1), (2) or (3) above,

in each case, whether any of the transactions set out in paragraphs (1), (2) or (3) 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 will be completed within the First Six-Month Period).

In the event that, during the six-month period commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions set out in paragraphs (1), (2) or (3) above or offers or agrees to or announces any intention to effect any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

By our Controlling Shareholders

The Controlling Shareholders (a group of AIC Parties) have undertaken that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (1) they will not at any time during the First Six-Month Period:
 - a. 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 a 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 (“**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
 - 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 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
 - c. enter into any transaction with the same economic effect as any transaction specified in paragraphs (1)a or b above, or

UNDERWRITING

- d. offer to or agree to or announce any intention to effect any transaction specified in paragraphs (1)a, b or c above, in each case, whether any of the transactions specified in paragraphs (1)a, b or c 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 other securities will be completed within the First Six-Month Period);
- (2) they will not during the Second Six-Month Period, enter into any of the transactions specified in paragraph (1)a, b or c 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, they will cease to be a group of controlling shareholders (as the term is defined in the Listing Rules) of our Company; and
- (3) until the expiry of the Second Six-Month Period, in the event that they enter into any of the transactions specified in paragraphs (1)a, b or c above or offers to or agrees to or announces any intention to effect any such transaction, they will take all reasonable steps to ensure that they will not create a disorderly or false market in the securities of our Company,

provided that nothing herein shall prevent the Controlling Shareholders from (1) purchasing additional Shares or other securities of the Company and disposing of such additional Shares or other securities of the Company, (2) using the Shares or other securities of the Company or any interest therein beneficially owned by them as security (including without limitation a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering. In the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Underwriting Commissions and Expenses

The Underwriters will receive an underwriting commission per Offer Share of 3.5% of the Offer Price (including Offer Shares sold pursuant to the Over-allotment Option). In addition, we may also in our sole and absolute discretion pay an additional incentive fee of up to 0.5% of the aggregate Offer Price of the Offer Shares. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering, and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

Such underwriting commissions payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, are currently estimated to be approximately HK\$97.4 million in aggregate (based on an Offer Price of HK\$6.32 per Share, being the mid-point of the indicative Offer Price range of HK\$5.56 to HK\$7.08 per Share, and on the assumption that the Over-allotment Option is not exercised).

UNDERWRITING

LOCK-UP

Undertaking by non-controlling shareholders

Each of the existing Shareholders other than the Controlling Shareholders, namely Dai SPV, Ru SPV, Guzon Asset, Kijiji, Wideview Asset, Wutong Holding, Jingheng Jianyong, Aofa Management, Qipu Xinzhe, and Mr. Ku, has entered into a deed of lock-up undertaking, pursuant to which all or part of the Shares held by them shall be subject to the lock-up period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date. Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), 358,480,254 Shares in aggregate (representing approximately 44.81% of the enlarged total issued share capital of our Company) will be held by those Shareholders, among which (i) 318,637,254 Shares in aggregate (representing approximately 39.83% of the enlarged total issued share capital of our Company) will be subject to the aforementioned lock-up arrangements; (ii) 15,000,000 Shares held by each Over-allotment Option Grantor (being the maximum number of Shares to be sold by each Over-allotment Option Grantor pursuant to the exercise of the Over-allotment Option), 6,000,000 Shares held by Kijiji, and 3,843,000 Shares held by Wideview Asset, being 39,843,000 Shares in aggregate (representing approximately 4.98% of the enlarged total issued share capital of our Company), will not be subject to any lock-up undertakings.

Undertaking by the trustee and the Intermediary Holding SPVs

Undertaking by The Longhills Trust, The FS Trust and the MH's Family Trust

Each of PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (in its capacity as trustee of The Longhills Trust, The FS Trust and the MH's Family Trust), Derun International, FSS Investment, and SpringRain Planning has undertaken that, without the prior written consent of the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules or otherwise required by law (including without limitation any Court order):

- (1) at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the “**First Six-Month Period**”), it will procure that none of its affiliates will:
 - (a) offer, pledge, charge, sell, offer, contract or agree to sell, pledge, assign, mortgage, charge, hypothecate, lend, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of, make any short sale, 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 the Company or any interest therein (including but not limited to any securities convertible into or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) (the “**Lock-up Securities**”), directly or indirectly held by it as of the date of the Hong Kong Underwriting Agreement; or
 - (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-up Securities;
 - (c) enter into any transaction with the same economic effect as any transaction set out in paragraphs (a) or (b) above; or
 - (d) publicly disclose that it will or may enter into any transaction set out in paragraphs (a), (b), or (c) above,

whether any of the transaction set out in (a), (b), or (c) above is to be settled by delivery of Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other shares or securities will be completed within the First Six-Month Period).

UNDERWRITING

- (2) during the six-month period commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), it will procure that none of its affiliates will enter into any transaction described in (1) (a), (b), or (c) above or offer, agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, any Controlling Shareholder will cease, whether individually or collectively with the other Controlling Shareholders, to be a controlling shareholder (as defined in the Listing Rules) of the Company;
- (3) during the Second Six-Month Period, in the event that any of its affiliates enters into any such transactions specified in paragraphs (1) (a), (b), or (c) above or offers, agrees or contracts to, or publicly announces an intention to enter into any such transaction, it will notify the Company, the Sole Sponsor and the Sole Global Coordinator and take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company;
- (4) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it shall:
 - (a) if and when any of its affiliates pledges or charges any Shares or other securities of the Company (or any interests therein) beneficially owned by it, immediately inform the Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or securities (or interests therein) so pledged or charged; and
 - (b) if and when it and any of its affiliates receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities (or interests therein) of the Company will be disposed of, immediately inform the Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Undertaking by The RGRGU Trust and The Ru Liang’s Trust

PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (in its capacity as the Trustee of the The RGRGU Trust and The Ru Liang’s Trust) and their Intermediary Holding SPVs (namely Baxter Investment and Jingke International) have entered into deed of lock-up undertakings, pursuant to which they will procure their respective Direct Holding SPVs (namely Dai SPV and Ru SPV) to comply with the lock-up undertakings as described under “— Undertaking by non-controlling shareholders” in this section.

INDEMNITY

Each of our Company and the Controlling Shareholders (collectively the “**Indemnity Covenantors**”) has agreed to indemnify the Hong Kong Underwriters against certain losses which the Hong Kong Underwriters may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Indemnity Covenantors of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 20,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “— Hong Kong Public Offering”; and
- the International Offering of 180,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below), outside the United States in offshore transactions in reliance on Regulation S. At any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Sole Global Coordinator, on behalf of the International Underwriters, have an option to require each of the Over-allotment Option Grantors to sell up to 15,000,000 additional Offer Shares, in aggregate being 30,000,000 Shares and representing 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 either apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 25% of the issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme). If the Over-allotment Option is exercised in full, the Offer Shares will represent 28.75% of the enlarged issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 20,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 2.5% of the issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued upon exercise of the options which may be granted under the Post-IPO Share Option Scheme).

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 that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering.”

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could 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.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools: pool A (10,000,000 Offer Shares) and pool B (10,000,000 Offer Shares). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the 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 Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any of the Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong 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 Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 10,000,000 Hong Kong Offer Shares (being 50% of the 20,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) 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 reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 80,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate in its sole discretion.

If (i) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed by less than 15 times or (ii) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times, the Sole Global Coordinator may at its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares shall not be increased to more than 40,000,000 Shares, representing twice the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering, in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, and the final Offer Price shall be fixed at HK\$5.56 per Offer Share (being the low end of the indicative Offer Price range stated in this prospectus).

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator shall have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate in its sole discretion.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the sole discretion of the Sole Global Coordinator.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has 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 International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$7.08 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner set out in the section headed "Structure and Conditions of the Global Offering — Pricing and Allocation", is less than the maximum Offer Price of HK\$7.08 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

application monies) will be made to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The International Offering will consist of an offering of initially 180,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 22.5% of the issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be issued under the Post-IPO Share Option Scheme).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such 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 that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process set out in the section headed “Structure and Conditions of the Global Offering — Pricing and Allocation” 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 Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement set out in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation”, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Over-allotment Option Grantors are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until the 30th day after the last day for lodging applications under the Hong Kong Public Offering to require each of the Over-allotment Option Grantors to sell up to 15,000,000 additional Offer Shares, in aggregate being 30,000,000 Shares and representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among others, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be offered pursuant thereto will represent 3.75% of the enlarged issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme). The Sole Global Coordinator may also cover over-allocations in the International Offering by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, 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 initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, as stabilising manager, for itself and on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Short sales involve the sale by the Stabilising 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 Stabilising Manager may close out any 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 Stabilising Manager will consider 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. Stabilising transactions consist of certain bids or purchases 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 our Shares may be effected on any stock exchange, including the 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 Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken: (i) will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and in what the Stabilising Manager reasonably regards as the best interest of the Company; (ii) may be discontinued at any time; and (iii) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Stabilising actions by the Stabilising Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Saturday, January 9, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 30,000,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 30,000,000 Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, from the Over-allotment Option Grantors to cover over-allocations (being the maximum number of additional Shares which may be sold upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising of the Over-allotment Option.

If the Stock Borrowing Agreement with the Over-allotment Option Grantors is entered into, the borrowing of Shares will only be effected by the Stabilising Manager, its affiliates or any person acting for it for the settlement of over-allocations in the International Offering. The same number of Shares so borrowed must be returned to the Over-allotment Option Grantors or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Over-allotment Option Grantors by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Pricing of 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 about Thursday, December 10, 2020, and, in any event, no later than Friday, December 11, 2020, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$7.08 per Offer Share and is expected to be not less than HK\$5.56 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK\$7.08 per Offer Share plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. 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 Offer Price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of 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 about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it deems appropriate, based on the level of interest expressed by prospective investors and institutional investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated 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, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of our Company (www.netjoy.com) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon the issue of such

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. We will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company, 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, the Sole Global Coordinator may, at its sole discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

The final 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 allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are set out in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (A) the Listing Committee granting approval for the listing of, and permission to deal in, the existing issued Shares, the Shares to be issued pursuant to (i) the Capitalisation Issue and the Global Offering (including the Shares which may be sold pursuant to the exercise of the Over-allotment Option); and (ii) the Post-IPO Share Option Scheme, on the Main Board of the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (B) the Offer Price having been duly agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
- (C) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (D) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming 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 Company, the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, December 11, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, 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 dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.netjoy.com on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the Receiving Bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the existing issued Shares; the Shares to be issued pursuant to (i) the Capitalisation Issue; (ii) the Post-IPO Share Option Scheme; and (iii) the Global Offering (including the Shares which may be sold pursuant to the exercise of the Over-allotment Option).

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

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants approval for the listing of, and permission to deal in, the Shares and the 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 Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 17, 2020, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 17, 2020.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 2131.

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 **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.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 Sole Global Coordinator, the **HK eIPO White Form** 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:

- (i) are 18 years of age or older;
- (ii) have a Hong Kong address; and
- (iii) are outside the U.S..

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** 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:

- (i) an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- (ii) a Director or chief executive officer of our Company and/or any of its subsidiaries;
- (iii) an associate or a close associate (as defined in the Listing Rules) of any of the above;
- (iv) a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering; and
- (v) have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 the **IPO App** or the designated website at www.hkeipo.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 prospectus during normal business hours between 9:00 a.m. on Monday, December 7, 2020 until 12:00 noon, Thursday, December 10, 2020 from:

- (i) the following office of the Hong Kong Underwriters:

Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
DBS Asia Capital Limited	73/F The Center 99 Queen's Road Central Central, Hong Kong
China Galaxy International Securities (Hong Kong) Co., Limited	20/F Wing On Centre 111 Connaught Road Central Hong Kong
China Securities (International) Corporate Finance Company Limited	18/F Two Exchange Square 8 Connaught Place Central, Hong Kong
BOCOM International Securities Limited	15/F Man Yee Building 68 Des Voeux Road Central Hong Kong
BOCI Asia Limited	26/F 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
Futu Securities International (Hong Kong) Limited	Unit C1-2 13/F United Centre No.95 Queensway Admiralty Hong Kong
SBI China Capital Financial Services Limited	4/F, Henley Building, No.5 Queen's Road Central Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the designated branches or outlets of the following receiving banks:

Bank of China (Hong Kong) Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island . . .	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
Kowloon	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
New Territories.	Fanling Centre Branch	Shop 2D-E & H, Fanling Centre, Fanling, New Territories

Bank of Communications Co., Ltd. Hong Kong Branch

<u>District</u>	<u>Outlet Name</u>	<u>Address</u>
Hong Kong Island . . .	King's Road Sub-Branch	G/F., Kailey Court, 67-71 King's Road
Kowloon	Jordan Road Sub-Branch	1/F., Booman Building, 37U Jordan Road
New Territories.	Tseung Kwan O Sub-Branch	Shop Nos. 252A, 252B & 253 on Level 2, Metro City Phase I, Tseung Kwan O

CMB Wing Lung Bank Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island . . .	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Monday, December 7, 2020 until 12:00 noon, Thursday, December 10, 2020 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 "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — NETJOY HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches or outlets of the receiving banks listed above, at the following times:

Monday, December 7, 2020 — 9:00 a.m. to 4:00 p.m.
Tuesday, December 8, 2020 — 9:00 a.m. to 4:00 p.m.
Wednesday, December 9, 2020 — 9:00 a.m. to 4:00 p.m.
Thursday, December 10, 2020 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 10, 2020, the last application day or such later time as described in "Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong 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 Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service, 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;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;
- (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 U.S. (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (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;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (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 Sole Global Coordinator 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 **HK eIPO White Form** 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or 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 **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider through the **IPO App** or the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m., Monday, December 7, 2020 until 11:30 a.m., Thursday, December 10, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 10, 2020 or such later time under the “Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service 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 the **HK eIPO White Form** service 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 **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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 +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator 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:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- (vi) confirm that you understand that our Company, our Directors and the Sole Global Coordinator 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;
- (vii) authorise 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;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (i) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- (ii) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- (iii) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, December 7, 2020	— 9:00 a.m. to 8:30 p.m.
Tuesday, December 8, 2020	— 8:00 a.m. to 8:30 p.m.
Wednesday, December 9, 2020	— 8:00 a.m. to 8:30 p.m.
Thursday, December 10, 2020	— 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, December 7, 2020 until 12:00 noon on Thursday, December 10, 2020 (24 hours daily, except on Thursday, December 10, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, December 10, 2020, the last application day or such later time as described in “Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” below.

Note:

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong 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 (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service 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 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 Thursday, December 10, 2020.

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:

- (i) an account number; or
- (ii) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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 **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (i) the principal business of that company is dealing in securities; and
- (ii) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- (i) control the composition of the board of directors of the company;
- (ii) control more than half of the voting power of the company; or
- (iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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 Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please see “Structure and Conditions of the Global Offering — Pricing and Allocation” in this prospectus for further details regarding the Offer Price.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning; and/or
- (iii) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 10, 2020. 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 and/or Extreme Conditions in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 10, 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, December 16, 2020 on our Company’s website at www.netjoy.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (i) in the announcement to be posted on our Company's website at www.netjoy.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, December 16, 2020;
- (ii) from the "IPO Results" function in the **IPO App** or the designated results of allocations website at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, December 16, 2020 to 12:00 midnight on Tuesday, December 22, 2020;
- (iii) by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, December 16, 2020 to Monday, December 21, 2020 (excluding Saturday, Sunday and public holiday in Hong Kong);
- (iv) in the special allocation results booklets which will be available for inspection during opening hours on Wednesday, December 16, 2020 to Friday, December 18, 2020 at all the receiving bank's designated branches or outlets.

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 and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 50% of the Hong Kong 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\$7.08 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the 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 Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Any refund of your application monies will be made on or before Wednesday, December 16, 2020.

14. DISPATCH/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:

- (i) 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
- (ii) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong 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 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 Wednesday, December 16, 2020. 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 Thursday, December 17, 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 16, 2020 or such other date as notified by us on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.netjoy.com.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our 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 dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong 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 Wednesday, December 16, 2020, 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 for collection of refund cheque(s). 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 Wednesday, December 16, 2020, 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 Wednesday, December 16, 2020, 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.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 16, 2020 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 HK eIPO White Form service

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 our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 16, 2020, or such other date as notified by our Company on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.netjoy.com as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Wednesday, December 16, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong 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.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (i) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 16, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- (ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, December 16, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 16, 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- (iv) 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 Wednesday, December 16, 2020. 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 16, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, for the purpose of incorporation in this document.



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

The Directors
Netjoy Holdings Limited
Haitong International Capital Limited

Dear Sirs,

We report on the historical financial information of Netjoy Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-67, 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 2017, 2018 and 2019 and six months ended 30 June 2020 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020, the statements of financial position of the Company as at 31 December 2019 and 30 June 2020 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-67 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 7 December 2020 (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 2017, 2018 and 2019 and 30 June 2020 and of the financial position of the Company as at 31 December 2019 and 30 June 2020 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.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the six months ended 30 June 2019 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information 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. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, 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 Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends 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

7 December 2020

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			Six months ended 30 June	
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
REVENUE	5	235,425	1,186,172	2,313,036	1,286,522	796,965
Cost of sales		(185,720)	(1,077,913)	(2,153,747)	(1,217,549)	(712,584)
Gross profit		49,705	108,259	159,289	68,973	84,381
Other income and gains	5	359	1,123	15,600	5,518	11,823
Selling and distribution expenses		(1,301)	(5,910)	(7,793)	(2,781)	(2,274)
Administrative expenses		(5,658)	(13,525)	(41,561)	(13,799)	(21,656)
Impairment losses on financial assets, net		(1,899)	(3,316)	(29,630)	(12,070)	(4,000)
Research and development expenses		(5,522)	(6,936)	(9,923)	(5,416)	(4,370)
Other expenses		—	(2,070)	(750)	—	—
Finance costs	7	(341)	(2,712)	(6,524)	(1,302)	(3,163)
Share of profits and losses of: Associates		42	(304)	381	(218)	21
PROFIT BEFORE TAX	6	35,385	74,609	79,089	38,905	60,762
Income tax expense	10	(2,387)	(5,126)	(6,155)	(3,357)	(3,686)
PROFIT FOR THE YEAR/PERIOD		<u>32,998</u>	<u>69,483</u>	<u>72,934</u>	<u>35,548</u>	<u>57,076</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>32,998</u>	<u>69,483</u>	<u>72,934</u>	<u>35,548</u>	<u>57,076</u>
Attributable to: Owners of the parent		<u>32,998</u>	<u>69,483</u>	<u>72,934</u>	<u>35,548</u>	<u>57,076</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated statements of financial position

	Notes	As at 31 December			As at
		2017	2018	2019	30 June
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	449	552	2,125	2,603
Right-of-use assets	14	2,134	1,460	4,707	9,626
Intangible assets	15	38	33	8,293	7,952
Prepayments, other receivables and other assets	19	161	581	2,738	2,402
Deferred tax assets	17	519	1,407	12,917	13,302
Investments in associates	16	1,042	6,738	9,607	12,628
Total non-current assets		<u>4,343</u>	<u>10,771</u>	<u>40,387</u>	<u>48,513</u>
CURRENT ASSETS					
Trade receivables	18	98,504	380,312	457,025	365,951
Prepayments, other receivables and other assets	19	10,648	36,136	106,709	169,263
Financial assets at fair value through profit or loss	20	—	—	—	42,000
Cash and cash equivalents	21	<u>26,190</u>	<u>6,300</u>	<u>34,840</u>	<u>44,796</u>
Total current assets		<u>135,342</u>	<u>422,748</u>	<u>598,574</u>	<u>622,010</u>
CURRENT LIABILITIES					
Trade payables	22	48,552	147,771	179,633	115,041
Other payables and accruals	23	6,386	25,063	24,897	50,402
Interest-bearing bank borrowings	25	—	27,800	91,547	80,942
Current portion of lease liabilities ...	14	652	684	4,037	5,862
Contract liabilities	24	5,000	16,319	37,353	62,756
Income tax payable		<u>2,801</u>	<u>6,382</u>	<u>18,773</u>	<u>11,826</u>
Total current liabilities		<u>63,391</u>	<u>224,019</u>	<u>356,240</u>	<u>326,829</u>
NET CURRENT ASSETS		<u>71,951</u>	<u>198,729</u>	<u>242,334</u>	<u>295,181</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		<u>76,294</u>	<u>209,500</u>	<u>282,721</u>	<u>343,694</u>
NON-CURRENT LIABILITIES					
Lease liabilities	14	1,523	839	756	3,809
Deferred income		<u>—</u>	<u>438</u>	<u>288</u>	<u>1,048</u>
Total non-current liabilities		<u>1,523</u>	<u>1,277</u>	<u>1,044</u>	<u>4,857</u>
Net assets		<u>74,771</u>	<u>208,223</u>	<u>281,677</u>	<u>338,837</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	26	—	—	—	84
Reserves	27	<u>74,771</u>	<u>208,223</u>	<u>281,677</u>	<u>338,753</u>
Total equity		<u>74,771</u>	<u>208,223</u>	<u>281,677</u>	<u>338,837</u>

Consolidated statements of changes in equity

	Notes	Attributable to owners of the parent				Total equity
		Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	
		RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2017		—	22,700	1,855	17,218	41,773
Profit for the year		—	—	—	32,998	32,998
Transfer from retained profits		—	—	3,609	(3,609)	—
Bonus shares issued to existing shareholders (note (a))		—	12,900	—	(12,900)	—
At 31 December 2017		—	35,600	5,464	33,707	74,771
At 1 January 2018		—	35,600	5,464	33,707	74,771
Profit for the year		—	—	—	69,483	69,483
Capital contributions (note (b))		—	74,942	—	—	74,942
Dividend distribution	11	—	—	—	(10,973)	(10,973)
Transfer from retained profits		—	—	9,003	(9,003)	—
Bonus shares issued to existing shareholders (note (c))		—	13,760	—	(13,760)	—
At 31 December 2018		—	124,302	14,467	69,454	208,223
At 1 January 2019		—	124,302	14,467	69,454	208,223
Profit for the year		—	—	—	72,934	72,934
Capital contributions (note (d))		—	360	—	—	360
Share of contributions to the associates from an unrelated investor		—	160	—	—	160
Transfer from retained profits		—	—	12,966	(12,966)	—
At 31 December 2019		—	124,822	27,433	129,422	281,677

	Attributable to owners of the parent					
	Notes	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019.....		—	124,302	14,467	69,454	208,223
Profit for the period (unaudited)		—	—	—	35,548	35,548
Transfer from retained profits (unaudited)		—	—	10,447	(10,447)	—
At 30 June 2019 (unaudited).....		—	124,302	24,914	94,555	243,771
At 1 January 2020.....		—	124,822	27,433	129,422	281,677
Profit for the period		—	—	—	57,076	57,076
Capital injection		84	—	—	—	84
Transfer from retained profits		—	—	13,184	(13,184)	—
At 30 June 2020		84	124,822	40,617	173,314	338,837

- (a) On 17 May 2017, Netjoy Network declared a stock dividend of RMB12,900,000 to its shareholders and the dividend has been registered on 31 May 2017.
- (b) On 17 July 2018, Wutong Holding Group Co., Ltd. contributed RMB78,000,000 into Netjoy (Shanghai) Network Technology Co., Ltd, netted off by RMB3,058,000 of transaction costs incurred in the private issuing offering.
- (c) On 16 May 2018, Netjoy Network declared a stock dividend of RMB13,760,000 to its shareholders and the dividend has been registered on 4 June 2018.
- (d) On 30 December 2019, Zheng Han Bio-tech Research Co., Ltd. contributed RMB360,000 into Letui (Shanghai) Culture Broadcast Co., Ltd.

* These reserve accounts comprise the consolidated reserves of RMB74,771,000, RMB208,223,000, RMB281,677,000 and RMB338,753,000 in the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Consolidated statements of cash flows

	Notes	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		35,385	74,609	79,089	38,905	60,762
Adjustments for:						
Share of profits and losses						
of associates	16	(42)	304	(381)	218	(21)
Bank interest income	5	(41)	(39)	(78)	(17)	(46)
Investment income from						
financial assets at fair						
value through						
profit or loss	5	(169)	(454)	(1,300)	(1,036)	(534)
Finance costs	7	341	2,712	6,524	1,302	3,163
Provision for impairment of						
trade receivables, net ...	6	1,899	3,316	29,630	12,070	4,000
Depreciation of items of ...						
property, plant and						
equipment	13	203	261	938	400	717
Depreciation of right-of-use						
assets	14	610	674	3,206	1,278	2,274
Amortisation of intangible						
assets	15	5	5	470	150	452
		<u>38,191</u>	<u>81,388</u>	<u>118,098</u>	<u>53,270</u>	<u>70,767</u>
(Increase)/decrease in trade						
receivables		(80,564)	(285,124)	(106,343)	50,395	87,074
Increase in prepayments,						
other receivables and						
other assets		(5,544)	(25,908)	(72,730)	(38,955)	(62,218)
Increase/(decrease) in trade						
payables		47,331	99,219	31,862	(95,966)	(64,592)
Increase in other payables						
and accruals		4,920	7,692	9,574	1,380	26,262
Increase in contract liabilities		<u>3,750</u>	<u>11,319</u>	<u>21,034</u>	<u>18,443</u>	<u>25,403</u>
Cash generated from/(used in)						
operations		8,084	(111,414)	1,495	(11,433)	82,696
Bank interest income received	5	41	39	78	17	46
Interest paid on lease						
liabilities	7	(101)	(92)	(267)	(121)	(148)
Income tax paid		(927)	(2,433)	(5,274)	(5,211)	(11,018)
Net cash flows from/						
(used in) operating						
activities		<u>7,097</u>	<u>(113,900)</u>	<u>(3,968)</u>	<u>(16,748)</u>	<u>71,576</u>

	Notes	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(504)	(364)	(2,511)	(1,379)	(1,195)
Purchases of other intangible assets		—	—	(7,230)	(1,501)	(111)
Addition of financial assets measured at fair value through profit or loss		—	—	—	—	(42,000)
Proceeds from disposal of investments measure at fair value through profit or loss		100	—	—	—	—
Investments in associates		(1,000)	(6,000)	(2,328)	—	(3,000)
Investment income received from financial assets at fair value through profit or loss	5	169	454	1,300	1,036	534
Net cash flows used in investing activities		(1,235)	(5,910)	(10,769)	(1,844)	(45,772)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		4,500	142,800	115,500	48,000	79,500
Repayment of bank loans		(9,800)	(115,000)	(52,800)	(24,800)	(90,018)
Loans from related parties		—	105,450	112,890	93,490	3,710
Repayment of loans from related parties		—	(105,000)	(113,340)	(93,490)	(3,710)
Principal portion of lease payments		(670)	(652)	(3,183)	(1,255)	(2,315)
Capital injection from non-controlling shareholders		—	78,000	360	—	84
Share issue expenses		—	(3,058)	—	—	—
Interests paid		(240)	(2,620)	(5,177)	(1,181)	(3,099)
Dividend paid	11	—	—	(10,973)	—	—
Net cash flows (used in) from financing activities		(6,210)	99,920	43,277	20,764	(15,848)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(348)	(19,890)	28,540	2,172	9,956
Cash and cash equivalents at beginning of year/period		26,538	26,190	6,300	6,300	34,840

	Notes	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	21	26,190	6,300	34,840	8,472	44,796
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					(Unaudited)	
Cash and bank deposits	21	26,190	6,300	34,840	8,472	44,796
Cash and cash equivalents as stated in the consolidated statements of cash flows . . .		26,190	6,300	34,840	8,472	44,796

Statement of financial position of the Company

	Notes	As at	As at 30 June
		31 December 2019	2020
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary	29	360	360
Total non-current assets		360	360
CURRENT ASSETS			
Cash and cash equivalents		—	35
Total current assets		—	35
Net assets		360	395
EQUITY			
Share capital		—	84
Reserves		360	311
Total equity		360	395

II Notes to the historical financial information

1. Corporate information

The Company is a limited liability company incorporated in the Cayman Islands on 29 March 2019. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in the business of providing online advertising services (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph 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 registration/ incorporation and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Netjoy International Limited (note (a)) . .	British Virgin Islands/ 4 April 2019	USD50,000	100%	—	Investment holding
Netjoy International (Hong Kong) Limited (note (a)) . .	People’s Republic of China/Hong Kong 26 April 2019	HKD1	—	100%	Technical and consultation services
Zheng Han Bio-tech Research Co., Limited (“Zheng Han”) (“正漢生物科技研發有限公司”) (note (b))	People’s Republic of China/Hong Kong 14 February 2017	HKD20,000,000	100%	—	Investment holding

Name	Place and date of registration/ incorporation and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (“Yunxiang Information”) (雲想數科(上海)信息技術有限公司) (note (b))	People’s Republic of China/Mainland China 29 August 2019	RMB50,000,000	—	100%	Technical and consultation services
Letui (Shanghai) Culture Broadcast Co., Ltd. (“Letui Culture”) (樂推(上海)文化傳播有限公司) (note (b))	People’s Republic of China/ Mainland China 19 December 2013	RMB10,101,010	—	100%	Marketing services
Horgos Quantum Dynamic Culture Media Co., Ltd. (“Quantum Culture Media”) (霍爾果斯量子動態文化傳媒有限公司) (note (b))	People’s Republic of China/ Mainland China 8 June 2017	RMB1,000,000	—	100%	Marketing services
Yunxiang Entertainment (Shanghai) Co., Ltd. (“Yunxiang Entertainment”) (雲想娛樂(上海)有限公司) (note (b))	People’s Republic of China/ Mainland China 28 August 2018	RMB5,000,000	—	100%	Technical and consultation services
Guangzhou Guomeng Network Technology Co., Ltd. (“Guomeng Internet”) (廣州果盟網絡科技有限公司) (note (b))	People’s Republic of China/ Mainland China 20 May 2019	RMB1,000,000	—	100%	Technical and consultation services

Name	Place and date of registration/ incorporation and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qizheng (Shanghai) Culture Communication Co., Ltd. ("Qizheng Culture") (啟征(上海)文化傳播有限公司) (note (a))	People's Republic of China/ Mainland China 28 May 2019	RMB1,000,000	—	100%	Technical and consultation services
Letui Chuanshi (Shanghai) Information Technology Co., Ltd. ("Letui Information") (樂推傳視(上海)信息技術有限公司) (note (a))	People's Republic of China/Mainland China 2 August 2019	RMB5,000,000	—	100%	Technical and consultation services
Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. ("Letui Zhixiao") (樂推智效(上海)文化傳播有限公司) (note (a))	People's Republic of China/Mainland China 6 January 2020	RMB5,000,000	—	100%	Marketing services
<i>Indirectly controlled by the Company pursuant to the contractual agreements</i>					
Netjoy (Shanghai) Network Technology Co., Ltd. ("Netjoy Network") (嗨皮(上海)網絡科技有限公司) (note (c))	People's Republic of China/ Mainland China 15 November 2012	RMB53,528,203	—	100%	Entertainment-oriented content platform operation

Notes:

- (a) No audited financial statements have been prepared for these entities for the years ended 31 December 2017 and 2018 as these entities were incorporated/established in 2019 and after.
- (b) No audited financial statements have been prepared for these entities since their incorporation as statutory accounts are not required under the relevant rules and regulations in their jurisdiction of incorporation.
- (c) The entity is a limited liability enterprise established under the PRC law. The statutory financial statements for the year ended 31 December 2017 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Ruihua Certified Public Accountants (LLP) (瑞華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. No audited financial statements have been prepared for the entity for the years ended 31 December 2018 and 2019 as statutory accounts are not required under the relevant rules and regulations in its jurisdiction of incorporation.

2.1 *Basis of presentation*

Pursuant to the Reorganisation as more fully explained in the paragraph headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 30 March 2020.

Netjoy Network provide value added telecommunications services and radio and TV program production and operation services to customers. Due to regulatory restrictions on foreign ownership in providing value added telecommunications services and prohibition on foreign ownership in providing radio and TV program production and operation services in the PRC, the wholly-owned subsidiary of the Company, Yunxiang Information (“WFOE”) has entered into contractual arrangements (“Contractual Arrangements”) with Netjoy Network and their respective registered equity holders. The arrangements of the Contractual Arrangements enable the WFOE to exercise effective control over Netjoy Network and obtain substantially all economic benefits of Netjoy Network. Accordingly, Netjoy Network is controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in Netjoy Network. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangement” in the Prospectus.

The Reorganisation only involved inserting new holding entities, including WFOE, at the top of Netjoy Network, the then holding company of the Group, and has not resulted in any change of economic substances. Accordingly, for the purpose of this report, the Historical Financial Information has been presented on a consolidated basis as a continuation of Netjoy Network as if the Company had been the holding company of Netjoy Network 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 are presented as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 have been prepared to present the assets and liabilities of the companies comprising the Group, as if the current group structure had been in existence at those dates. 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 combination. As the Company was incorporated on 29 March 2019, there are no statements of financial position of the Company as at 31 December 2017 and 2018.

2.2 *Basis of preparation*

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information. The Group also adopted the Amendments to *IFRS 16 Covid-19-Related Rent Concessions* for rent concessions occurring as a direct consequence of the Covid-19 pandemic during the Relevant Periods.

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the

lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

The Group has elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the Relevant Periods. The adoption of the Amendments to *IFRS 16 Covid-19-Related Rent Concessions* has had no significant impact on the financial position and/or financial performance of the Group because there are no changes to the terms of the leases during the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. The Historical Financial Information has been presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 *Issued but not yet effective international financial reporting standards*

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts¹</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts Cost — of Fulfilling a Contract²</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41²</i>
Amendments to IFRS 4	<i>Extension of the Temporary Exemption from Applying IFRS 9⁴</i>
Amendments to IFRS 17	<i>Insurance Contracts⁴</i>

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

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

³ No mandatory effective date yet determined but available for adoption

⁴ Effective for annual period beginning on or after 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

The management of the Group does not anticipate that the adoption of other new and revised IFRSs will have a significant financial impact on the Group's financial statements.

2.4 *Summary of significant accounting policies*

Basis of combination

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over 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:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

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

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

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.

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other

comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its equity investments 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 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 the consolidated statements of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Office equipment	20.00%-33.33%
Leasehold improvements	Over the shorter of the lease terms and useful lives
Furniture and fixtures	33.33%

Leasehold improvements depreciate over a period that is the shorter of the lease term or the assets' useful life. 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 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.

Software and use right of a website

Software and use right of a website are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. The Group determines the useful life of software and use of a website with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the asset.

Research and development costs

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.

During the reporting periods, all research costs are charged to the consolidated statements of profit or loss and other comprehensive income as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold properties

2 to 4 years

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and

payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Debt instruments

Debt instruments at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

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

Financial assets at fair value through profit or loss

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

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

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), it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

General approach

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

*Financial liabilities*Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, lease liabilities and interest-bearing bank and borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Investment in film

The amount paid to a third-party film production company by the Group in order to obtain shares of copyrights and/or distribution rights of films is recognised as prepayments for investment in film and reclassified as intangible assets upon the receipt of the license for distribution of films.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statements of profit or loss and other comprehensive income.

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 countries 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 and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statements of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

The Group's main revenue generating activity is the provision of online advertising services. Revenues are recognised when relevant service are provided to which the Group is entitled pursuant to the advertising contracts.

The following is a description of principal activities from which the Group generates its revenue:

(1) Online marketing solutions services

All-in-one services

The Group provides one-stop online marketing solutions, including content production, raw data analysis, advertisement campaign optimization and traffic acquisition from top online publishers, to advertisers. The Group charges the advertisers mainly based on optimised Cost Per Mille (“oCPM”), optimised Cost Per Click (“oCPC”) or Cost Per Click (“CPC”). In some circumstances, the Group offers rebates to the advertisers as part of its promotion activities.

While none of the factors individually are considered presumptive or determinative, in this arrangement the Group is the primary obligor and is responsible for (i) identifying and contracting with third-party advertisers which the Group views as customers, the Group is primarily responsible for delivering the specified integrated services to the advertisers; (ii) taking certain risk of loss to the extent that the cost incurred for producing contents, formulating advertisement campaign and acquiring traffic acquisition from online publishers cannot be compensated by the total consideration received from the advertisers. This is similar to inventory risk; (iii) performing all the billing and collection activities, including retaining credit risk; and (iv) bearing responsibility for the advertising content that the Group produce and place and fulfilment of promise to provide the specified integrated services. The Group obtains control the specified service before that service is transferred to the advertiser and acts as the principal of these arrangements and therefore recognises revenue earned and costs incurred related to these transactions on a gross basis. Under this arrangement, the rebates earned from the media publishers are recorded as a reduction of cost of sales.

Advertisement distribution services

The advertisers provide their own produced distribution contents and formulate their own advertisement campaign. The Group only provides those distribution service to advertisers by publishing the contents on the targeted social media platforms which determined by advertisers. The Group charges the advertisers mainly based on an oCPM, oCPC or CPC.

The Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to the advertiser, because (i) the Group does not provide integrated service. Online publisher, rather than the Group, is primarily responsible for providing the media publishing service; (ii) the online publisher is identified and determined by the advertisers, not the Group. Therefore, the Group is not the principal in executing these transactions. The Group reports the amount received from the advertisers and the amounts paid to the media publishers related to these transactions on a net basis.

Rebates offered to the advertisers under both business models above are recognised as a deduction of revenue.

(2) Pan-entertainment content services

The Group provides pan-entertainment content services to advertising customers directly through self-operated website and its mobile terminal. The Group also provides pan-entertainment content services to advertising customers through online publishers by produced a short video program. The Group recognises revenue on a gross basis when relevant services are provided to which the Group is entitled pursuant to the advertising contracts because the Group bears the sole responsibility for the transaction. The Group charges advertising customers for pan-entertainment content services primarily based on CPM, cost per time (“CPT”) or on specified action such as download, installation or registration of the mobile device user (“cost per action” or “CPA”).

For the customers which the Group charges based on CPT, revenue is recognized over time on a ratable basis over the contract term beginning on the date that the service is made available to the customers. For the customers which the Group charges based on oCPM, CPM, CPC, oCPC or CPA, revenue is recognized at a point in time when specified actions are achieved.

Trade receivables

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

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. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statements of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Dividends

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

Foreign currencies

The Historical Financial Information is presented in RMB. 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 are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of profit or loss and other comprehensive income.

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

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.

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual arrangements

Netjoy Network provides value added telecommunications services and radio and TV program production and operation services to customers. Due to regulatory restrictions on foreign ownership in providing value added telecommunications services and prohibition on foreign ownership in providing radio and TV program production and operation services in the PRC, as disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over Netjoy Network and enjoys all economic benefits of Netjoy Network through the Contractual Arrangements.

The Group considers that it controls Netjoy Network, notwithstanding the fact that it does not hold a direct equity interest in Netjoy Network, as it has power over the financial and operating policies of Netjoy Network and receives substantially all of the economic benefits from the business activities of Netjoy Network through the Contractual Arrangements. Accordingly, Netjoy Network has been accounted for a subsidiary during the Relevant Periods.

Principal versus agent considerations — revenue from provision of online advertising service

In determining whether the Group is acting as a principal or as an agent in the provision of online advertising services requires judgements and considerations of all relevant facts and circumstances. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, 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.

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 ageing analysis of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic 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 are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

4. Operating segment information

The Group is principally engaged in providing online marketing solutions services and pan-entertainment content services to customers in Mainland China.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical area because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no geographical information is presented.

Information about major customers

The revenue generated from sales to customers which individually contributed more than 10% to the Group's total revenue during the Relevant Periods is set out below:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	N/A*	220,181	657,125	648,775	N/A*
Customer B	37,159	N/A*	N/A*	N/A*	N/A*
Customer C	27,357	N/A*	N/A*	N/A*	N/A*

* 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, represented the value of services rendered, net of value-added tax (“VAT”) and other sales tax, after allowance for returns and discounts during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

(i) *Disaggregated revenue information*

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from contracts with customers					
Types of services					
Online marketing solutions services					
— All-in-one services	158,548	1,093,601	2,243,548	1,252,010	760,114
— Advertisement distribution services	7,291	27,826	38,756	15,299	28,215
Pan-entertainment content services	69,586	64,745	30,732	19,213	8,636
	<u>235,425</u>	<u>1,186,172</u>	<u>2,313,036</u>	<u>1,286,522</u>	<u>796,965</u>
Timing of revenue recognition					
Marketing services transferred at a point in time	215,227	1,162,778	2,304,858	1,281,484	785,861
Marketing services transferred over time	20,198	23,394	8,178	5,038	11,104
	<u>235,425</u>	<u>1,186,172</u>	<u>2,313,036</u>	<u>1,286,522</u>	<u>796,965</u>

(ii) *Performance obligations*

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

Online marketing solutions services

The performance obligation is satisfied on a user’s optimised click (oCPC) or click (CPC) on one of the customer-sponsored links or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM).

Pan-entertainment content services

The performance obligation is satisfied on a pro-rata basis over the contractual term for cost per time (“CPT”) advertising arrangements, commencing on the start date of the display of the advertisement or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM) or on specified action such as download, installation or registration of the mobile device user (“cost per action” or “CPA”).

(iii) *Contract balances*

	Notes	As at 31 December			As at 30 June
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	18	98,504	380,312	457,025	365,951
Contract liabilities	23	5,000	16,319	37,353	62,756

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017, 2018 and 2019 and 30 June 2020 are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:				
Within one year	5,000	16,319	37,353	62,756

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other income and gains				(Unaudited)	
Bank interest income	41	39	78	17	46
Investment income from financial assets at fair value through profit or loss . . .	169	454	1,300	1,036	534
Government grants	149	630	13,278	4,465	10,493
Others	—	—	944	—	750
	359	1,123	15,600	5,518	11,823

6. Profit before tax

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

	Notes	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales		185,720	1,077,913	2,153,747	1,217,549	712,584
Depreciation of items of property, plant and equipment	13	203	261	938	400	717
Depreciation of items of right-of-use assets	14	610	674	3,206	1,278	2,274
Amortisation of intangible assets	15	5	5	470	150	452
Research and development expenses (excluding amortisation of intangible assets, depreciation of items of property, plant and equipment and employee benefit expense)		3,049	3,382	2,481	2,423	1,182
Lease payments not included in the measurement of lease liabilities		—	50	572	65	330
Auditor's remuneration		175	231	1,479	403	1,730
Government grants	5	(149)	(630)	(13,278)	(4,465)	(10,493)
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):						
Wages and salaries		3,797	9,542	21,259	9,967	10,389
Pension scheme contributions		382	889	1,895	535	374
Provision for impairment of trade receivables, net		1,899	3,316	29,630	12,070	4,000
Bank interest income	5	(41)	(39)	(78)	(17)	(46)
Investment income from financial assets at fair value through profit or loss	5	(169)	(454)	(1,300)	(1,036)	(534)
Interest on lease liabilities	7	101	92	267	121	148
Interest on interest-bearing bank and other borrowings	7	240	2,620	3,260	993	3,012

7. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on interest-bearing bank and other borrowings	240	2,620	3,260	993	3,012
Interest on lease liabilities	101	92	267	121	148
Other finance costs	—	—	2,997	188	3
	<u>341</u>	<u>2,712</u>	<u>6,524</u>	<u>1,302</u>	<u>3,163</u>

8. Directors' and chief executive's remuneration

The Company did not have any chief executive, executive director, non-executive director and independent non-executive director at any time during the years ended 31 December 2017 and 2018 and therefore there were no fees and other emoluments payable to the independent non-executive directors during the years ended 31 December 2017 and 2018.

Mr. Wang Chen and Mr. Xu Jiaqing were appointed as executive directors of the Company on 8 November 2019.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors is set out below:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other emoluments:					
Salaries, allowances and benefits in kind	774	1,011	1,143	479	631
Pension scheme contributions	124	156	142	71	12
	<u>898</u>	<u>1,167</u>	<u>1,285</u>	<u>550</u>	<u>643</u>

31 December 2017	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Mr. Wang Chen	325	46	371
Mr. Qin Miaomiao	260	41	301
Mr. Xu Jiaqing	156	28	184
Mr. Dai Liqun	33	9	42
Mr. Ru Liang	—	—	—
	<u>774</u>	<u>124</u>	<u>898</u>

31 December 2018	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Mr. Wang Chen	393	50	443
Mr. Xu Jiaqing	275	46	321
Mr. Qin Miaomiao	251	50	301
Mr. Dai Liqun	92	10	102
Mr. Zhang Jianguo	—	—	—
Mr. Wang Jianshuo	—	—	—
Mr. Ru Liang	—	—	—
	<u>1,011</u>	<u>156</u>	<u>1,167</u>
31 December 2019	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Directors:			
Mr. Wang Chen*	548	49	597
Mr. Xu Jiaqing	535	49	584
Mr. Qin Miaomiao	56	43	99
Mr. Dai Liqun	4	1	5
Mr. Zhang Jianguo	—	—	—
Mr. Wang Jianshuo	—	—	—
	<u>1,143</u>	<u>142</u>	<u>1,285</u>
Independent non-executive directors:			
Mr. Chen Changhua	—	—	—
Dr. Ru Liyun	—	—	—
Ms. Cui Wen	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

30 June 2019	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Directors:			
Mr. Wang Chen*	226	25	251
Mr. Xu Jiaqing	225	25	250
Mr. Qin Miaomiao	24	20	44
Mr. Dai Liqun	4	1	5
Mr. Zhang Jianguo	—	—	—
Mr. Ru Liang	—	—	—
Mr. Wang Jianshuo	—	—	—
	479	71	550
Independent non-executive directors:			
Mr. Chen Changhua	—	—	—
Dr. Ru Liyun	—	—	—
Ms. Cui Wen	—	—	—
	—	—	—
30 June 2020			
	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Directors:			
Mr. Wang Chen*	300	4	304
Mr. Xu Jiaqing	300	4	304
Mr. Qin Miaomiao	31	4	35
Mr. Dai Liqun	—	—	—
Mr. Ru Liang	—	—	—
Mr. Zhang Jianguo	—	—	—
Mr. Wang Jianshuo	—	—	—
	631	12	643
Independent non-executive directors:			
Mr. Chen Changhua	—	—	—
Dr. Ru Liyun	—	—	—
Ms. Cui Wen	—	—	—
	—	—	—

* Mr. Wang Chen is also the chief executive officer of the Company since 16 June 2020.

There was no arrangement under which a director or the chief executive of the subsidiaries now comprising the Group waived or agreed to waive any remuneration during the Relevant Periods.

9. Five highest paid employees

The five highest paid employees during each of the Relevant Periods included 2, 3, 2 and 2 directors and the chief executive, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three highest paid employees during the years ended 31 December 2017 and 2019 and six months ended 30 June 2020 and two highest paid employees during the years ended 31 December 2018 who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	538	539	1,535	546	727
Pension scheme contributions	88	90	85	61	24
	<u>626</u>	<u>629</u>	<u>1,620</u>	<u>607</u>	<u>751</u>

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

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
Nil to HKD1,000,000	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>

10. 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.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("BVI"), Netjoy Holdings Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Netjoy Holdings Limited to its shareholder, no BVI withholding tax is imposed.

Hong Kong

No provision for Hong Kong profit tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations the subsidiaries which operate in Mainland China are subject to Enterprise Income Tax (“EIT”) at a rate of 25% on the taxable income. Preferential tax treatment is available to Netjoy Network, since it is certified as a Software Enterprise and is exempted from income tax for two years, followed by a 50% reduction in the applicable income tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generated in prior years. For the years ended 31 December 2017, 2018 and 2019, the applicable income tax rate for Netjoy Network was 12.5%. Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and are subject to a preferential income tax rate of 15% in certain years. According to the Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgors Economic Development Zones (國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見), promulgated on September 30, 2011, and the Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgors in Xinjiang (財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知), promulgated by the Ministry of Finance of the PRC (中國財政部) and the State Administration of Taxation of the PRC (中國國家稅務總局) on November 29, 2011, from 2010 to 2020, the newly-established enterprises in Kashgar and Horgors within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) shall be granted the preferential tax treatment of five-year EIT exemption since the first taxable year after becoming profitable. According to Preferential Filing Record of EIT (企業所得稅優惠事項備案表), Quantum Culture Media obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2017 to 31 December 2020.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current tax:					
Charge for the year	2,841	6,014	17,665	6,315	4,071
Deferred tax (note 17)	(454)	(888)	(11,510)	(2,958)	(385)
Total tax charge for the year	<u>2,387</u>	<u>5,126</u>	<u>6,155</u>	<u>3,357</u>	<u>3,686</u>

A reconciliation of the tax charge applicable to profit before tax at the statutory rate for the country in which the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	35,385		74,609		79,089		38,905		60,762	
Tax at the statutory tax rate	8,846	25	18,652	25	19,772	25	9,726	25	15,191	25
Preferential tax rates enacted by local authority	(5,514)	(16)	(12,551)	(17)	(18,804)	(24)	(6,364)	(16)	(13,325)	(22)
Additional deduction on research and development expenses	(965)	(3)	(1,197)	(2)	(1,571)	(2)	(283)	(1)	(814)	(1)
Effect on deferred tax of changes in tax rates	—	—	—	—	(683)	(1)	(12)	—	—	—
Income not subject to tax	(10)	—	76	—	(63)	—	—	—	(5)	—
Tax losses not recognised	—	—	—	—	894	1	116	—	2,605	4
Group reorganisation related tax	—	—	—	—	6,410*	8	—	—	—	—
Expenses not deductible for tax	30	—	146	—	200	—	174	—	34	—
Tax charge at the Group's effective rate . .	2,387	7	5,126	7	6,155	8	3,357	9	3,686	6

* On 6 December 2019, as a part of group reorganization, Yunxiang Information acquired equity interest in Letui Culture from Netjoy Network with consideration of RMB35,640,000. As a result, Netjoy Network need to pay income tax on the difference between this equity transfer income and the equity acquisition cost of RMB10,000,000.

11. Dividends

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividends declared by Netjoy Network	—	10,973	—	—	—

On 16 November 2018, Netjoy Network declared dividends of RMB10,973,000 to its shareholders and the dividends were paid in January 2019.

12. Earnings per share attributable to ordinary equity holders of the parent

Earnings per share information is not presented as its inclusion, for the purpose the Historical Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods. The preparation basis was disclosed in note 2.2 above.

13. Property, plant and equipment

	Furniture and fixtures	Office equipment	Leasehold improvements	Constructions in process	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017					
At 1 January 2017:					
Cost	11	203	—	—	214
Accumulated depreciation	(2)	(64)	—	—	(66)
Net carrying amount	<u>9</u>	<u>139</u>	<u>—</u>	<u>—</u>	<u>148</u>
At 1 January 2017, net of accumulated depreciation					
	9	139	—	—	148
Additions	—	59	445	—	504
Depreciation provided during the year	(3)	(70)	(130)	—	(203)
At 31 December 2017, net of accumulated depreciation					
	<u>6</u>	<u>128</u>	<u>315</u>	<u>—</u>	<u>449</u>
At 31 December 2017:					
Cost	11	262	445	—	718
Accumulated depreciation	(5)	(134)	(130)	—	(269)
Net carrying amount	<u>6</u>	<u>128</u>	<u>315</u>	<u>—</u>	<u>449</u>
	Furniture and fixture	Office equipment	Leasehold improvements	Constructions in process	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018					
At 1 January 2018:					
Cost	11	262	445	—	718
Accumulated depreciation	(5)	(134)	(130)	—	(269)
Net carrying amount	<u>6</u>	<u>128</u>	<u>315</u>	<u>—</u>	<u>449</u>
At 1 January 2018, net of accumulated depreciation					
	6	128	315	—	449
Additions	—	364	—	—	364
Depreciation provided during the year	(4)	(109)	(148)	—	(261)
At 31 December 2018, net of accumulated depreciation					
	<u>2</u>	<u>383</u>	<u>167</u>	<u>—</u>	<u>552</u>
At 31 December 2018:					
Cost	11	626	445	—	1,082
Accumulated depreciation	(9)	(243)	(278)	—	(530)
Net carrying amount	<u>2</u>	<u>383</u>	<u>167</u>	<u>—</u>	<u>552</u>
31 December 2019					
At 1 January 2019:					
Cost	11	626	445	—	1,082
Accumulated depreciation	(9)	(243)	(278)	—	(530)
Net carrying amount	<u>2</u>	<u>383</u>	<u>167</u>	<u>—</u>	<u>552</u>

	Furniture and fixture	Office equipment	Leasehold improvements	Constructions in process	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019, net of accumulated depreciation	2	383	167	—	552
Additions	—	995	1,516	—	2,511
Depreciation provided during the year . .	(1)	(290)	(647)	—	(938)
At 31 December 2019, net of accumulated depreciation	<u>1</u>	<u>1,088</u>	<u>1,036</u>	<u>—</u>	<u>2,125</u>
At 31 December 2019:					
Cost	11	1,621	1,961	—	3,593
Accumulated depreciation	(10)	(533)	(925)	—	(1,468)
Net carrying amount	<u>1</u>	<u>1,088</u>	<u>1,036</u>	<u>—</u>	<u>2,125</u>
30 June 2020					
At 1 January 2020:					
Cost	11	1,621	1,961	—	3,593
Accumulated depreciation	(10)	(533)	(925)	—	(1,468)
Net carrying amount	<u>1</u>	<u>1,088</u>	<u>1,036</u>	<u>—</u>	<u>2,125</u>
At 1 January 2020, net of accumulated depreciation	1	1,088	1,036	—	2,125
Additions	—	720	109	366	1,195
Depreciation provided during the period .	(1)	(256)	(460)	—	(717)
At 30 June 2020, net of accumulated depreciation	<u>—</u>	<u>1,552</u>	<u>685</u>	<u>366</u>	<u>2,603</u>
At 30 June 2020:					
Cost	11	2,341	2,070	366	4,788
Accumulated depreciation	(11)	(789)	(1,385)	—	(2,185)
Net carrying amount	<u>—</u>	<u>1,552</u>	<u>685</u>	<u>366</u>	<u>2,603</u>

14. Leases

The Group as a lessee

The Group has lease contracts for various items of leasehold properties and office equipment used in its operations. Leases of leasehold properties generally have lease terms between 1 and 4 years. Office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) *Right-of-use assets*

	Leasehold properties
	RMB'000
31 December 2017	
At 1 January 2017:	
Cost	727
Accumulated depreciation	(679)
Net carrying amount	<u>48</u>
Cost at 1 January 2017, net of accumulated depreciation	48
Additions	2,696
Disposals	—
Depreciation provided during the year	(610)
At 31 December 2017	<u>2,134</u>
At 31 December 2017:	
Cost	2,696
Accumulated depreciation	(562)
Net carrying amount	<u>2,134</u>
31 December 2018	
At 1 January 2018:	
Cost	2,696
Accumulated depreciation	(562)
Net carrying amount	<u>2,134</u>
Cost at 1 January 2018, net of accumulated depreciation	2,134
Depreciation provided during the year	(674)
At 31 December 2018	<u>1,460</u>
At 31 December 2018:	
Cost	2,696
Accumulated depreciation	(1,236)
Net carrying amount	<u>1,460</u>

	Leasehold properties
	RMB'000
31 December 2019	
At 1 January 2019:	
Cost	2,696
Accumulated depreciation	(1,236)
Net carrying amount	<u>1,460</u>
Cost at 1 January 2019, net of accumulated depreciation	1,460
Additions	6,453
Depreciation provided during the year	(3,206)
At 31 December 2019	<u>4,707</u>
At 31 December 2019:	
Cost	9,149
Accumulated depreciation	(4,442)
Net carrying amount	<u>4,707</u>
30 June 2020	
At 1 January 2020:	
Cost	9,149
Accumulated depreciation	(4,442)
Net carrying amount	<u>4,707</u>
Cost at 1 January 2020, net of accumulated depreciation	4,707
Additions	7,193
Depreciation provided during the period	(2,274)
At 30 June 2020	<u>9,626</u>
At 30 June 2020:	
Cost	16,342
Accumulated depreciation	(6,716)
Net carrying amount	<u>9,626</u>

(b) *Lease liabilities*

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

	Leasehold properties
	RMB'000
Carrying amount at 1 January 2017	149
New leases	2,696
Accretion of interest recognised during the year	101
Payments	(771)
At 31 December 2017	<u>2,175</u>
Analysed to:	
Current portion	652
Non-current portion	<u>1,523</u>
Carrying amount at 1 January 2018	2,175
Accretion of interest recognised during the year	92
Payments	(744)
At 31 December 2018	<u>1,523</u>
Analysed to:	
Current portion	684
Non-current portion	<u>839</u>
Carrying amount at 1 January 2019	1,523
New leases	6,453
Accretion of interest recognised during the year	267
Payments	(3,450)
At 31 December 2019	<u>4,793</u>
Analysed to:	
Current portion	4,037
Non-current portion	<u>756</u>
Carrying amount at 1 January 2020	4,793
New leases	7,193
Accretion of interest recognised during the period	148
Payments	(2,463)
At 30 June 2020	<u>9,671</u>
Analysed into:	
Current portion	5,862
Non-current portion	<u>3,809</u>

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

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

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	101	92	267	121	148
Depreciation charge of right-of-use assets	610	674	3,206	1,278	2,274
Expense relating to short-term leases (included in administrative expenses)	—	—	487	65	220
Expense relating to leases of low-value assets (included in administrative expenses)	—	50	85	—	110
Total amount recognised in profit or loss	<u>711</u>	<u>816</u>	<u>4,045</u>	<u>1,464</u>	<u>2,752</u>

(d) The total cash outflow for leases is disclosed in notes 31(c) to the Historical Financial Information.

15. Intangible assets

	Use right of a website	Software	Total
	RMB'000	RMB'000	RMB'000
31 December 2017			
At 1 January 2017:			
Cost	46	—	46
Accumulated impairment	(3)	—	(3)
Net carrying amount	43	—	43
Cost at 1 January 2017, net of accumulated amortisation	43	—	43
Additions	—	—	—
Amortisation provided during the year	(5)	—	(5)
At 31 December 2017	38	—	38
At 31 December 2017:			
Cost	46	—	46
Accumulated amortisation	(8)	—	(8)
Net carrying amount	38	—	38
31 December 2018			
At 1 January 2018:			
Cost	46	—	46
Accumulated amortisation	(8)	—	(8)
Net carrying amount	38	—	38
Cost at 1 January 2018, net of accumulated amortisation	38	—	38
Additions	—	—	—
Amortisation provided during the year	(5)	—	(5)
At 31 December 2018	33	—	33
At 31 December 2018:			
Cost	46	—	46
Accumulated amortisation	(13)	—	(13)
Net carrying amount	33	—	33

	Use right of a website	Software	Total
	RMB'000	RMB'000	RMB'000
31 December 2019			
At 1 January 2019:			
Cost	46	—	46
Accumulated amortisation	(13)	—	(13)
Net carrying amount	<u>33</u>	<u>—</u>	<u>33</u>
Cost at 1 January 2019, net of accumulated amortisation	33	—	33
Additions	6,975	1,755	8,730
Amortisation provided during the year	(455)	(15)	(470)
At 31 December 2019	<u>6,553</u>	<u>1,740</u>	<u>8,293</u>
At 31 December 2019:			
Cost	7,021	1,755	8,776
Accumulated amortisation	(468)	(15)	(483)
Net carrying amount	<u>6,553</u>	<u>1,740</u>	<u>8,293</u>
30 June 2020			
At 1 January 2020:			
Cost	7,021	1,755	8,776
Accumulated amortisation	(468)	(15)	(483)
Net carrying amount	<u>6,553</u>	<u>1,740</u>	<u>8,293</u>
Cost at 1 January 2020, net of accumulated amortisation	6,553	1,740	8,293
Additions	—	111	111
Amortisation provided during the period	(368)	(84)	(452)
At 30 June 2020	<u>6,185</u>	<u>1,767</u>	<u>7,952</u>
At 30 June 2020:			
Cost	7,021	1,866	8,887
Accumulated amortisation	(836)	(99)	(935)
Net carrying amount	<u>6,185</u>	<u>1,767</u>	<u>7,952</u>

16. Investments in associates

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	<u>1,042</u>	<u>6,738</u>	<u>9,607</u>	<u>12,628</u>

The Group's trade receivable and payable balances with the associates are disclosed in note 30 to the Historical Financial Information.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of the associates' profit/(loss) for the year/period	42	(304)	381	(218)	21
Share of the associates' total comprehensive income/(loss)	42	(304)	381	(218)	21
Aggregate carrying amount of the Group's investment in the associates .	1,042	6,738	9,607	6,520	12,628

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of equity attributable to the Group	Principal activities
Shanghai Buwei Information Technology Co., Ltd. ("Buwei") (上海不維信息技術有限公司)	Ordinary shares	Shanghai	20%*	Marketing services
Tianjin Yunlin Culture Broadcast Co., Ltd. ("Yunlin") (韻林(天津)文化傳媒有限公司)	Ordinary shares	Tianjin	30%	Radio and TV program production and operation services
Shanju (Shanghai) Culture Broadcast Co., Ltd. ("Shanghai Shanju") (閃劇(上海)文化傳媒有限公司)	Ordinary shares	Shanghai	30%	Radio and TV program production and operation services

* In 2017, the Group invested RMB1,000,000 in Buwei and accounted for 9.91% of the total equity interest. In 2019, the Group invested an additional RMB2,328,000 and the equity interest percentage increased from 9.91% to 20%.

During the Relevant Periods, the board of directors of Buwei consisted of 3 directors, of which 1 director who have substantive voting rights in daily operations was nominated by the Group. As a result, Buwei was classified as an associate over which the Group has significant influence.

The Group's shareholdings in the associates all comprise equity shares held by Netjoy Network.

17. Deferred tax

The movements in deferred tax assets during the Relevant Periods are as follows:

	Deferred income	Provision for trade receivables	Accrued expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017				
At 1 January 2017:				
Cost	—	65	—	65
Deferred tax credited to the consolidated statements of profit or loss and other comprehensive income during the year	—	454	—	454
31 December 2017	<u>—</u>	<u>519</u>	<u>—</u>	<u>519</u>
31 December 2018				
At 1 January 2018:				
Cost	—	519	—	519
Deferred tax credited to the consolidated statements of profit or loss and other comprehensive income during the year	55	833	—	888
31 December 2018	<u>55</u>	<u>1,352</u>	<u>—</u>	<u>1,407</u>
31 December 2019				
At 1 January 2019:				
Cost	55	1,352	—	1,407
Deferred tax (charged)/credited to the consolidated statements of profit or loss and other comprehensive income during the year	(12)	7,297	4,225	11,510
31 December 2019	<u>43</u>	<u>8,649</u>	<u>4,225</u>	<u>12,917</u>
30 June 2020				
At 1 January 2020:				
Cost	43	8,649	4,225	12,917
Deferred tax (charged)/credited to the consolidated statements of profit or loss and other comprehensive income during the period	114	396	(125)	385
30 June 2020	<u>157</u>	<u>9,045</u>	<u>4,100</u>	<u>13,302</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 the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As of 31 December 2017, 2018 and 2019 and 30 June 2020, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that subsidiaries will distribute such earnings to foreign entities in the foreseeable future. As of 31 December 2017, 2018 and 2019 and 30 June 2020, the aggregate amounts of temporary differences associated with investment in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB50,097,000, RMB123,618,000, RMB185,110,000 and RMB267,976,000, respectively.

As of 31 December 2017, 2018 and 2019 and 30 June 2020, the amount of tax losses for which deferred tax assets have not been recognised totalled approximately nil, nil, RMB3,576,000 and RMB10,420,000, respectively. Deferred tax assets have not been recognised in respect of certain tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

18. Trade receivables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	100,681	385,805	492,148	405,074
Impairment	(2,177)	(5,493)	(35,123)	(39,123)
	<u>98,504</u>	<u>380,312</u>	<u>457,025</u>	<u>365,951</u>

The Group's credit terms with its debtors range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB3,422,000, nil, nil and nil as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which are repayable on credit terms from one to three months.

Significant concentrations of credit risk are disclosed in note 34 to the Historical Financial Information.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 60 days	51,465	336,773	384,357	271,859
61 to 180 days	41,729	33,084	37,856	35,871
181 to 365 days	5,172	10,254	33,408	56,172
Over 365 days	138	201	1,404	2,049
	<u>98,504</u>	<u>380,312</u>	<u>457,025</u>	<u>365,951</u>

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

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period ...	278	2,177	5,493	35,123
Impairment losses, net (note 6)	1,899	3,316	29,630	4,000
At the end of the year/period	<u>2,177</u>	<u>5,493</u>	<u>35,123</u>	<u>39,123</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 2017

	Defaulted receivables	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	—	1.44%	80.70%	100.00%	100.00%	2.16%
Gross carrying amount (RMB'000)	—	99,800	715	166	—	100,681
Expected credit losses (RMB'000)	—	1,434	577	166	—	2,177

As at 31 December 2018

	Defaulted receivables	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	—	1.15%	73.09%	100.00%	100.00%	1.42%
Gross carrying amount (RMB'000)	—	384,548	747	345	165	385,805
Expected credit losses (RMB'000)	—	4,437	546	345	165	5,493

As at 31 December 2019

	<u>Defaulted receivables</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Expected credit loss rate	100.00%	1.10%	74.38%	100.00%	100.00%	7.14%
Gross carrying amount (RMB'000)	24,918	460,674	5,481	565	510	492,148
Expected credit losses (RMB'000)	24,918	5,053	4,077	565	510	35,123

As at 30 June 2020

	<u>Defaulted receivables</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Expected credit loss rate.	100.0%	1.81%	77.73%	100.00%	100.00%	9.66%
Gross carrying amount (RMB'000)	23,668	370,597	9,201	1,017	591	405,074
Expected credit losses (RMB'000)	23,668	6,695	7,152	1,017	591	39,123

19. Prepayments, other receivables and other assets

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Included in non-current assets:				
Prepayments	161	581	2,738	2,402
Included in current assets:				
Prepayments	9,047	18,972	82,095	129,009
Prepayments for investment in film	—	—	5,000	5,000
Value-added tax recoverable	—	535	11,516	22,761
Deposits	1,601	16,629	8,098	12,493
	<u>10,648</u>	<u>36,136</u>	<u>106,709</u>	<u>169,263</u>

None of the above assets is past due. The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the loss allowance was assessed to be minimal.

As there was no 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). As at 31 December 2017, 2018 and 2019 and 30 June 2020, the credit rating of other receivables was performing. The Group assessed that the expected credit losses for these receivables were not material under the 12-month 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 outstanding other receivable balances of the Group is not significant. The expected credit loss rate is close to zero.

20. Financial assets at fair value through profit or loss

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value	—	—	—	42,000

The financial assets at fair value through profit or loss in six months ended 30 June 2020 is a bank wealth management product with non-guaranteed principal and floating return of investment. The Group can redeem the assets any day and the proceeds will return on the same day. The fair value of the product does not have observable market data. The Group used discounted cash flows approach to value the fair value of the financial product as at 30 June 2020. Due to the short period and low expected return rate ranging from 2.77% to 3.00% per annum, the Group considered the fair value of financial product approximately to the cost.

21. Cash and cash equivalents

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	26,190	6,300	34,840	44,796
Denominated in:				
RMB	26,190	6,300	34,474	44,722
HKD	—	—	361	38
USD	—	—	5	36
	<u>26,190</u>	<u>6,300</u>	<u>34,840</u>	<u>44,796</u>

Cash at banks earns interest at floating rates based on daily bank deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default. 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.

22. Trade payables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	48,552	147,771	179,633	115,041

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	32,561	140,386	179,229	113,305
91 to 365 days	15,991	5,498	315	1,378
Over 1 year	—	1,887	89	358
	<u>48,552</u>	<u>147,771</u>	<u>179,633</u>	<u>115,041</u>

The trade payables are non-interest-bearing and are normally settled within 30 to 90 days.

23. Other payables and accruals

	Notes	As at 31 December			As at 30 June
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
Payroll and bonus payables		1,242	3,708	5,784	4,966
Tax payables		2,862	4,581	5,106	9,729
Collections from customers	(a)	1,807	4,351	7,006	26,637
Other payables	(b)	475	12,423	7,001	9,070
		<u>6,386</u>	<u>25,063</u>	<u>24,897</u>	<u>50,402</u>

Notes:

- (a) Collections from customers are collections from customers seeking for advertisement distribution services.
(b) Other payables are non-interest-bearing and repayable on demand.

24. Contract liabilities

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Included in current liabilities				
Online marketing services revenue .	<u>5,000</u>	<u>16,319</u>	<u>37,353</u>	<u>62,756</u>

Notes:

- (a) Online marketing services revenue primarily consists of the unrecognised revenue from amount prepaid by customers, where there is still an implied obligation to be provided by the Group over time. The contract liabilities increased from RMB16,319,000 as of 31 December 2018 to RMB37,353,000 as of 31 December 2019, primarily due to the business expansion during the year ended 31 December 2019.
(b) Revenue recognised in relation to contract liabilities
The following table shows the amounts of revenue recognised in the consolidated statements of profit or loss and other comprehensive income for the respective years relating to contract liabilities brought forward.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities .	<u>1,250</u>	<u>5,000</u>	<u>16,319</u>	<u>37,353</u>

25. Interest-bearing bank borrowings

As at 31 December 2018

	Effective interest rate (%)	Maturity	RMB'000
Bank loans — guaranteed	6.09-6.20	2019	27,800

As at 31 December 2019

	Effective interest rate (%)	Maturity	RMB'000
Bank loans — guaranteed	5.22-6.20	2020	91,547

As at 30 June 2020

	Effective interest rate (%)	Maturity	RMB'000
Bank loans — guaranteed	4.79-6.20	2021	80,942

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	—	27,800	91,547	80,942

Notes:

- (a) As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's overdraft facilities amounted to nil, RMB115,000,000, RMB67,500,000 and RMB9,450,000, respectively, of which nil, RMB15,000,000, RMB67,500,000 and RMB7,700,000 had been utilised as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

- (b) All of the Group's bank loans are guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties as at 31 December 2017, 2018 and 2019 and 30 June 2020 are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Chen, Mr. Qin Miaomiao, Mr. Xu Jiaqing, Mr. Dai Liqun, and Netjoy Network	—	15,000	—	—
Mr. Wang Chen, Ms. Zhao Xia and Mr. Qin Miaomiao	—	3,000	—	—
Mr. Wang Chen and Ms. Zhao Xia	—	4,800	—	—
Mr. Wang Chen, Mr. Xu Jiaqing, Mr. Qin Miaomiao and Letui Culture	—	5,000	—	—
Mr. Wang Chen, Ms. Zhao Xia, Mr. Xu Jiaqing, Ms. Zhong Wenjuan, Mr. Dai Liqun and Ms. Peng Ting . .	—	—	23,013	—
Mr. Wang Chen, Mr. Xu Jiaqing and Mr. Dai Liqun	—	—	20,286	30,297
Mr. Wang Chen, Mr. Xu Jiaqing, Mr. Dai Liqun and Netjoy Network . .	—	—	33,226	28,593
Mr. Wang Chen, Ms. Zhao Xia and Netjoy Network	—	—	15,022	—
Mr. Wang Chen, Ms. Zhao Xia, Mr. Xu Jiaqing, Ms. Zhong Wenjuan, and Netjoy Network	—	—	—	15,052
Mr. Wang Chen, Ms. Zhao Xia, Mr. Xu Jiaqing, Ms. Zhong Wenjuan .	—	—	—	7,000

- (c) As at 31 December 2018, a bank loan with an amount of RMB4,800,000 was guaranteed by Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs (“上海市中小微企業政策性融資擔保基金管理中心”) from 14 March 2018 to 13 March 2019.

- (d) As at 31 December 2019, a bank loan with an amount of RMB8,000,000 was guaranteed by Shanghai Re-guarantee Co., Ltd. (“上海市再擔保有限公司”) from 28 March 2019 to 27 March 2020.

26. Share capital

	As at	As at 30 June
	31 December	2020
	2019	2020
	RMB'000	RMB'000
Authorised:		
1,000,000,000 ordinary shares of US\$0.00005 each	350	350
		As at 30 June
		2020
		RMB'000
Issued and fully paid:		
238,386,430 ordinary shares of US\$0.00005 each		84

The Company was incorporated in the Cayman Islands under the Companies law as an exempted company with limited liability on 29 March 2019 with authorised share capital of USD50,000 divided into 50,000 shares of a par value of USD1.00 each. On 8 November 2019, the authorised share capital of the Company was subdivided from USD50,000 divided into 50,000 Shares with a par value of USD1.00 each to USD50,000 divided into 1,000,000,000 Shares with a par value of USD0.00005 each. As at 31

December 2019, 535,529,083 ordinary shares were allotted and issued but have not been paid. 238,386,430 ordinary shares were fully paid for the six months ended 30 June 2020. As at 30 June 2020, 297,142,653 ordinary shares were allotted and issued but have not been paid and 238,386,430 ordinary shares were allotted and issued and fully paid. There was no authorised and issued capital as at 31 December 2017 and 2018 since the Company has not yet been incorporated.

27. Reserves

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the sum of capital reserves of the entities now comprising the Group, after elimination of intra-group balances, attributable to the controlling shareholder. The additions during the Relevant Periods represent the contributions to paid-in-capital of those entities, both directly and indirectly, by the controlling shareholder.

Statutory surplus reserve

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

28. Commitments

The Group had the following capital commitments at the end of the Relevant Periods:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Leasehold improvements	—	—	—	2,102

29. Investment in a subsidiary – Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in a subsidiary	—	—	360	360

30. Related party transactions

The directors of the Group are of the view that the following individuals are related parties that had transactions or balances with the Group during the Relevant Periods.

Name of related parties	Relationship with the Group
Shanghai Kijiji Information Technology Co., Ltd. (“Kijiji”)*	A shareholder which has significant influence over the Group
Baixing Net Co., Ltd. (“Baixing Net”)	An entity controlled by a director of the Group
Tianjin Shangzequn Business Information Consulting Co., Ltd. (“Shangzequn”)*	An entity controlled by a director of the Group
Buwei	An associate of the Group
Yunlin	An associate of the Group
Horgos Buwei Information Technology Co., Ltd. (“Horgos Buwei”)	An entity controlled by the Group
Mr. Xu Jiaqing	Director
Mr. Dai Liqun	Director
Mr. Wang Chen	Chief Executive Director
Ms. Zhao Xia	Spouse of Mr. Wang Chen
Ms. Zhong Wenjuan	Spouse of Mr. Xu Jiaqing
Ms. Peng Ting	Senior management of the Group

* Kijiji and Shangzequn are subsidiaries of Baixing Net.

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.

(a) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Services provided to related parties:					
Baixing Net	1,301	340	139	85	108
Kijiji	454	1,762	4,616	4,616	—
Shangzequn	1,297	—	—	—	—
Buwei	5,025	2,628	—	—	—
Services provided by related parties:					
Baixing Net	55	—	—	—	—
Yunlin	—	—	1,567	906	—
Borrowings from:					
Baixing Net	—	100,000	8,000	8,000	—
Mr. Xu Jiaqing	—	2,050	86,750	79,400	—
Mr. Dai Liqun	—	1,000	17,490	6,090	3,710
Mr. Wang Chen	—	2,500	650	—	—
Repayment of borrowings to:					
Baixing Net	—	100,000	8,000	8,000	—
Mr. Xu Jiaqing	—	1,600	86,750	69,529	—
Mr. Dai Liqun	—	1,000	17,490	6,090	3,710
Mr. Wang Chen	—	2,500	650	—	—

For bank loans guaranteed by related parties, please refer to note 25 to the Historical Financial Information. The board of directors of the Company confirmed that all bank loans guarantees provided by related parties will be fully released before the Listing.

(b) The Group had the following balances with related parties at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June	
	2017	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	
Amounts due from related parties:					
Trade					
Baixing Net	95	—	—	—	
Buwei	3,327	—	—	—	
Amounts due to related parties:					
Trade					
Baixing Net	84	15	38	38	
Kijiji	258	5,395	237	237	
Shangzequn.....	70	70	70	70	
Horgos Buwei.....	—	—	1,600	—	
Buwei	—	—	1,400	—	
Yunlin	—	—	23	—	
Non-trade					
Mr. Xu Jiaqing	—	450	—	—	

The non-trade balances are interest free and repayable on demand. There were no non-trade balances as at 30 June 2020.

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

	Year Ended 31 December			Year Ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Short term employee benefits	505	682	1,270	457	764
Pension scheme contributions	89	112	148	64	17
Total compensation paid to key management personnel	594	794	1,418	521	781

Further details of directors' and the chief executive's remuneration are included in note 8 to the Historical Financial Information.

31. Notes to the consolidated statements of cash flows

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB2,696,000, nil and RMB6,453,000 and RMB7,193,000, respectively, and lease liabilities of RMB2,696,000, nil and RMB6,453,000 and RMB7,193,000, respectively in respect of lease arrangements for office equipment.

(b) Changes in liabilities arising from financing activities:

	Loan from related parties	Bank borrowings	Lease liabilities	Dividend payables
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	—	5,300	149	—
Changes from financing cash flows ...	—	(5,540)	(670)	—
New leases	—	—	2,696	—
Interest expense	—	240	101	—
Interest paid classified as operating cash flows	—	—	(101)	—
At 31 December 2017	<u>—</u>	<u>—</u>	<u>2,175</u>	<u>—</u>
At 1 January 2018	—	—	2,175	—
2018 dividends payable	—	—	—	10,973
Changes from financing cash flows ...	(1,417)	25,180	(652)	—
Interest expense	1,867	2,620	92	—
Interest paid classified as operating cash flows	—	—	(92)	—
At 31 December 2018	<u>450</u>	<u>27,800</u>	<u>1,523</u>	<u>10,973</u>
At 1 January 2019	450	27,800	1,523	10,973
Changes from financing cash flows ...	(520)	57,523	(3,183)	(10,973)
New leases	—	—	6,453	—
Interest expense	70	6,224	267	—
Interest paid classified as operating cash flows	—	—	(267)	—
At 31 December 2019	<u>—</u>	<u>91,547</u>	<u>4,793</u>	<u>—</u>
At 1 January 2020	—	91,547	4,793	—
Changes from financing cash flows ...	—	(13,620)	(2,315)	—
New leases	—	—	7,193	—
Interest expense	—	3,015	148	—
Interest paid classified as operating cash flows	—	—	(148)	—
At 30 June 2020	<u>—</u>	<u>80,942</u>	<u>9,671</u>	<u>—</u>

(c) *Total cash outflow for leases*

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

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within operating activities	101	142	839	478
Within financing activities	670	652	3,183	2,315
	<u>771</u>	<u>794</u>	<u>4,022</u>	<u>2,793</u>

32. **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:

*As at 31 December 2017**Financial assets*

	Financial assets at amortised cost
	RMB'000
Trade receivables	98,504
Financial assets included in prepayments, other receivables and other assets	1,601
Cash and cash equivalents	26,190
	<u>126,295</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	48,552
Lease liabilities	2,175
Financial liabilities included in other payables and accruals	2,282
	<u>53,009</u>

*As at 31 December 2018**Financial assets*

	Financial assets at amortised cost
	RMB'000
Trade receivables	380,312
Financial assets included in prepayments, other receivables and other assets	16,629
Cash and cash equivalents	6,300
	<u>403,241</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	147,771
Lease liabilities	1,523
Financial liabilities included in other payables and accruals	5,801
Interest-bearing bank borrowings	27,800
	<u>182,895</u>

*As at 31 December 2019**Financial assets*

	Financial assets at amortised cost
	RMB'000
Trade receivables	457,025
Financial assets included in prepayments, other receivables and other assets	8,098
Cash and cash equivalents	34,840
	<u>499,963</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	179,633
Lease liabilities	4,793
Financial liabilities included in other payables and accruals	14,007
Interest-bearing bank borrowings	91,547
	<u>289,980</u>

As at 30 June 2020

Financial assets

	Financial assets at fair value	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	—	365,951	365,951
Financial assets included in prepayments, other receivables and other assets	—	12,493	12,493
Financial assets at fair value through profit or loss	42,000	—	42,000
Cash and cash equivalents	—	44,796	44,796
	<u>42,000</u>	<u>423,240</u>	<u>465,240</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	115,041
Lease liabilities	9,671
Financial liabilities included in other payables and accruals	35,707
Interest-bearing bank borrowings	80,942
	<u>241,361</u>

33. **Fair value and fair value hierarchy of financial instruments**

Fair values

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year 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 fair values of the financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

	Fair Value at 31 December			Fair Value at 30 June	Valuation technique	Unobservable input	Sensitivity of fair value to the input
	2017	2018	2019	2020			
	RMB'000	RMB'000	RMB'000	RMB'000			
Financial assets at fair value through profit or loss	—	—	—	42,000	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value

As at 30 June 2020, if the discounted rates on bank wealth management products had been 50 basis points higher/lower, with all other variables held constant, the fair value of the financial assets would have been RMB200 lower/higher.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss:	—	—	42,000	42,000

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2017, 2018 and 2019.

The movements in fair value measurements within Level 3 during the period are as follows:

	Six months ended 30 June 2020
	RMB'000
At 1 January	—
Purchase	42,000
Change in fair value	—
At the end of the period	42,000
Net unrealized gains for the period	—

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 financial assets.

34. financial risk management objectives and policies

The Group has various financial assets and liabilities such as cash and cash equivalents, financial assets at fair value through profit or loss, trade receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks faced by the Group are credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all debtors who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2017, 2018 and 2019 and 30 June 2020. The amounts presented are gross carrying amounts for financial assets.

Maximum exposure and year-end staging as at 31 December 2017

	12-month	Lifetime ELCs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	98,504	98,504
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,601	—	—	—	1,601
Cash and cash equivalents					
— not yet past due	26,190	—	—	—	26,190
	<u>27,791</u>	<u>—</u>	<u>—</u>	<u>98,504</u>	<u>126,295</u>

Maximum exposure and year-end staging as at 31 December 2018

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	380,312	380,312
Financial assets included in prepayments, other receivables and other assets					
— Normal**	16,629	—	—	—	16,629
Cash and cash equivalents					
— not yet past due	6,300	—	—	—	6,300
	<u>22,929</u>	<u>—</u>	<u>—</u>	<u>380,312</u>	<u>403,241</u>

Maximum exposure and year-end staging as at 31 December 2019

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	457,025	457,025
Financial assets included in prepayments and other receivables					
— Normal**	8,098	—	—	—	8,098
Cash and cash equivalents					
— not yet past due	34,840	—	—	—	34,840
	<u>42,938</u>	<u>—</u>	<u>—</u>	<u>457,025</u>	<u>499,963</u>

Maximum exposure and year-end staging as at 30 June 2020

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	365,951	365,951
Financial assets included in prepayments and other receivables					
— Normal**	12,493	—	—	—	12,493
Cash and cash equivalents					
— not yet past due	44,796	—	—	—	44,796
	<u>57,289</u>	<u>—</u>	<u>—</u>	<u>365,951</u>	<u>423,240</u>

- * For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.
- ** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group's exposure financial statements to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2017			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	48,552	—	—	48,552
Lease liabilities	—	683	1,671	2,354
Financial liabilities included in other payables and accruals	2,282	—	—	2,282
	<u>50,834</u>	<u>683</u>	<u>1,671</u>	<u>53,188</u>
	As at 31 December 2018			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	147,771	—	—	147,771
Lease liabilities	—	716	921	1,637
Financial liabilities included in other payables and accruals	5,801	—	—	5,801
Interest-bearing bank borrowings	—	28,444	—	28,444
	<u>153,572</u>	<u>29,160</u>	<u>921</u>	<u>183,653</u>

	As at 31 December 2019			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	179,633	—	—	179,633
Lease liabilities	—	4,229	830	5,059
Financial liabilities included in other payables and accruals	14,007	—	—	14,007
Interest-bearing bank borrowings	—	92,568	—	92,568
	<u>193,640</u>	<u>96,797</u>	<u>830</u>	<u>291,267</u>
	As at 30 June 2020			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	115,041	—	—	115,041
Lease liabilities	—	6,140	4,179	10,319
Financial liabilities included in other payables and accruals	35,707	—	—	35,707
Interest-bearing bank borrowings	—	82,520	—	82,520
	<u>150,748</u>	<u>88,660</u>	<u>4,179</u>	<u>243,587</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 debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	64,914	225,296	357,284	331,686
Total assets	139,685	433,519	638,961	670,523
Debt-to-asset ratios	<u>46%</u>	<u>52%</u>	<u>56%</u>	<u>49%</u>

35. Events after the relevant periods

Up to the date of this report, management is not aware of any cases of COVID-19 (the 2019 novel coronavirus) infection among employees of the Group and the outbreak did not pose any significant impact to the Group's operations. The Group currently has set up a response plan in place. Management will continue to monitor and assess the ongoing development and respond accordingly.

36. Subsequent financial statements

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020.

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 forth in Appendix I to this document, and is included herein for information purpose only.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and Rule 7 of the Accounting Guidance is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of 30 June 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of the Company had the Global Offering been completed as of 30 June 2020 or at any future date.

	Consolidated tangible assets attributable to owners of the Company as of 30 June 2020 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of 30 June 2020	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of 30 June 2020 ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of 30 June 2020 ⁽⁴⁾
	RMB'000	RMB'000	RMB'000	RMB	HK\$ equivalent
Based on an Offer Price of HK\$5.56 per Share	330,885	865,928	1,196,813	1.50	1.76
Based on an Offer Price of HK\$7.08 per Share	330,885	1,113,511	1,444,396	1.81	2.13

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as of 30 June 2020 is arrived at after deducting other intangible assets of RMB7,952,000 from consolidated equity attributable to owners of the Company of RMB338,837,000 as of 30 June 2020, as shown in the Unaudited Interim Financial Information, the text of which is set forth in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on an Offer Price of HK\$5.56 and HK\$7.08, after deducting the underwriting fees and other related expenses without taking account of the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at on the basis that 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 30 June 2020. No adjustment has been made to the pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2020 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2020.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.84835 to HK\$1.00.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION



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

To the Directors of Netjoy Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Netjoy Holdings 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 of 30 June 2020, and related notes as set forth on page II-1 of the prospectus dated 7 December 2020 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 4.

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 of 30 June 2020 as if the transaction had taken place on 30 June 2020. 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 30 June 2020, 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.

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

7 December 2020

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN COMPANIES
LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 29, 2019 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since 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.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on November 17, 2020. A summary of certain provisions of the Articles is set out below.

2.1 Shares**(a) Classes of shares**

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares 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. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other

evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may 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 requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit 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) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. 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 20 per cent per annum as the Board shall fix from the day appointed for payment 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, 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, nevertheless, remain liable to pay to the Company all monies which, as 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 payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term 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 the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time 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 also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also 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 shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory 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 shall be 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, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may 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 Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) *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 uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, 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.

(e) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a

director, officer or member of 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 or other benefits received by him as a director, officer or member of 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 in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:
 - (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is 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 members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised

representative) or by proxy shall have one vote. 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. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) 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, and continues to be present until the conclusion of the meeting.

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.

(f) 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 shall be 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 shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) *Members' requisition for meetings*

Extraordinary general meetings shall be convened on the requisition of one or more members holding, as 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 of the Company 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 two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 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.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' 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 monies 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 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:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are 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 on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on March 29, 2019 subject to the Cayman Companies Law. Certain provisions of the Cayman Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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.

3.2 Share capital

Under the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (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) any manner provided in section 37 of the Cayman 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.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

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.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2017 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall 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.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on

behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Law, 2018, which became effective on 1 January 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on March 29, 2019. Our Company has established a place of business in Hong Kong at 31/F, Tower Two, Times Square 1, Matheson Street, Causeway Bay, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 6, 2019. Ms. Leung Shui Bing (梁瑞冰) of 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notice in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association and relevant aspects of the Cayman Companies Law is set forth in Appendix III to this prospectus.

2. Changes in the share capital of our Company

For the details of changes in the share capital of our Company, see “History, Reorganization and Corporate Structure — Reorganization — Offshore Reorganization.”

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), the issued share capital of the Company will be US\$40,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed herein and in “— A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of our Shareholders passed on November 17, 2020,” there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on November 17, 2020

Pursuant to the written resolutions passed by our Shareholders on November 17, 2020, it was resolved, among others:

- (a) our Company approved and adopted the Memorandum with immediate effect and Articles of Association with effect upon Listing;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued, (ii) the Offer Price being determined, and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
 - (i) the Capitalization Issue, the Global Offering and the Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue new Shares pursuant to the Capitalization Issue and the Global Offering;
 - (ii) the proposed Listing was approved and our Directors were authorized to implement the Listing; and

- (iii) the rules of the Post-IPO Share Option Scheme, the principal terms of which are set forth in the paragraph headed “D. Post-IPO Share Option Scheme” in this appendix, were approved and adopted with effect from the Global Offering and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Post-IPO Share Option Scheme.
- (c) Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 64,470,917 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of USD3,223.54585 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.
- (d) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the “**Convertible Securities**”) or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the “**Options and Warrants**”) and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest;
- (e) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
 - (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest;
- (f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme); and
- (g) the authorized share capital of our Company was increased with immediate effect from US\$50,000 divided into 1,000,000,000 Shares with a par value of US\$0.00005 each to US\$150,000 divided into 3,000,000,000 Shares with the same par value.

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For further details, see “History, Reorganization and Corporate Structure.”

5. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Appendix I to this prospectus.

Save as disclosed in “History, Reorganization and Corporate Structure” and below, there has been no alteration in the share capital or the registered capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

Netjoy BVI

On April 4, 2019, Netjoy BVI was incorporated in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each.

Netjoy HK

On April 26, 2019, Netjoy HK was incorporated in Hong Kong with a total issued share capital of HK\$1.00.

Guomeng Internet

On May 20, 2019, Guomeng Network was established in the PRC with a registered capital of RMB1,000,000.

Qizheng Culture

On May 28, 2019, Qizheng Culture was established in the PRC with a registered capital of RMB1,000,000.

Yunxiang Information

On August 29, 2019, Yunxiang Information was established in the PRC with registered capital of RMB50,000,000.

Letui Information

On August 2, 2019, Letui Information was established in the PRC with a registered capital of RMB5,000,000.

Letui Zhixiao

On January 26, 2020, Letui Zhixiao was established in the PRC with a registered capital of RMB5,000,000.

6. Repurchase of Shares by our Company*(a) Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of our Shareholders passed on November 17, 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the company's shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to affect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of repurchased securities

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(v) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vi) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Memorandum and Articles of Association and subject to the Companies Law of the Cayman Islands, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Memorandum and Articles of Association and subject to the Companies Law of the Cayman Islands, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or our gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the listing of the Shares (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held; or
- (iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares since our incorporation.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

- (a) a reorganization and investment framework agreement dated May 28, 2019 entered into among Zheng Han Bio-tech Research Co., Limited (正漢生物科技研發有限公司), Mr. Ku Ching-Teng (古景騰), Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司) and Letui (Shanghai) Culture Broadcast Co., Ltd. (樂推(上海)文化傳播有限公司), pursuant to which (i) Zheng Han Bio-tech Research Co., Limited (正漢生物科技研發有限公司) agreed to contribute RMB360,000 to Letui (Shanghai) Culture Broadcast Co., Ltd. (樂推(上海)文化傳播有限公司), and (ii) Mr. Ku Ching-Teng (古景騰) agreed to sell the entire equity interest in Zheng Han Bio-tech Research Co., Limited (正漢生物科技研發有限公司) to our Company at a consideration of 247,053 Shares of our Company;
- (b) a capital increase agreement dated June 10, 2019 entered into between Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司) and Zheng Han Bio-tech Research Co., Limited (正漢生物科技研發有限公司), pursuant to which Zheng Han Bio-tech Research Co., Limited (正漢生物科技研發有限公司) agreed to contribute RMB360,000 to Letui (Shanghai) Culture Broadcast Co., Ltd. (樂推(上海)文化傳播有限公司), among which RMB101,010 was contributed to the registered capital and the remaining RMB258,990 was kept as capital reserve;
- (c) a share swap agreement dated March 5, 2020 entered into between Mr. Ku Ching-Teng (古景騰) and our Company, pursuant to which Mr. Ku Ching-Teng (古景騰) agreed to transfer 100% of the equity interest in Zheng Han Bio-tech Research Co., Limited (正漢生物科技研發有限公司) to our Company at a consideration of 247,053 Shares of our Company;

- (d) the exclusive business cooperation agreement dated March 30, 2020 entered into between Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (雲想數科(上海)信息技術有限公司) and Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司), as further described in the section headed “Contractual Arrangements;”
- (e) the exclusive option agreement dated March 30, 2020 entered into among Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (雲想數科(上海)信息技術有限公司), the Registered Shareholders and Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司), as further described in the section headed “Contractual Arrangements;”
- (f) the equity pledge agreement dated March 30, 2020 entered into among Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (雲想數科(上海)信息技術有限公司), the Registered Shareholders and Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司), as further described in the section headed “Contractual Arrangements;”
- (g) the powers of attorney dated March 30, 2020 executed by each of the Registered Shareholders, Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (雲想數科(上海)信息技術有限公司) and Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司), as further described in the section headed “Contractual Arrangements;”
- (h) a cornerstone investment agreement dated December 1, 2020 entered into among our Company, Affin Hwang Asset Management Berhad, Haitong International Capital Limited, Haitong International Securities Company Limited and DBS Asia Capital Limited, details of which are included in the section headed “Cornerstone Investors;”
- (i) a cornerstone investment agreement dated November 30, 2020 entered into among our Company, HSBC Global Asset Management (Hong Kong) Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed “Cornerstone Investors;”
- (j) a cornerstone investment agreement dated November 30, 2020 entered into among our Company, Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司), Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed “Cornerstone Investors;”
- (k) a cornerstone investment agreement dated December 1, 2020 entered into among our Company, Shanghai Zizhu Seedlings Equity Investment Fund Limited (上海紫竹小苗股權投資基金有限公司), Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed “Cornerstone Investors;”
- (l) a cornerstone investment agreement dated December 1, 2020 entered into among our Company, Green Better Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed “Cornerstone Investors;”
- (m) a cornerstone investment agreement dated December 1, 2020 entered into among our Company, SensePower Management Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed “Cornerstone Investors;” and
- (n) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

(a) Trademarks for which registration has been granted

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

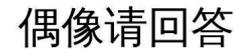
No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
1.	花边良品集	PRC	25550530	Netjoy Network	35	2018.07.28	2028.07.27
2.	花边集萃	PRC	25548238	Netjoy Network	35	2018.07.21	2028.07.20
3.	花畔	PRC	21479002	Netjoy Network	38	2017.11.21	2027.11.20
4.	花畔	PRC	21478956	Netjoy Network	42	2017.11.21	2027.11.20
5.	Netjoy	PRC	18325529	Netjoy Network	9	2017.02.21	2027.02.20
6.	Netjoy	PRC	18325528	Netjoy Network	35	2017.02.21	2027.02.20
7.		PRC	18325527	Netjoy Network	9	2017.02.21	2027.02.20
8.		PRC	18325526	Netjoy Network	35	2017.02.21	2027.02.20
9.	花边星闻 www.huabian.com	PRC	17733908	Netjoy Network	35	2016.10.07	2026.10.06
10.	花边娱乐 huabian.com	PRC	31118819	Netjoy Network	35	2019.05.14	2029.05.13
11.		PRC	33349684	Netjoy Network	42	2019.06.21	2029.06.20
12.	 珍珠胡同 — ZHEN LONG HU TONG —	PRC	39171983	Netjoy Network	38	2020.02.21	2030.02.20
13.	 珍珠胡同 — ZHEN LONG HU TONG —	PRC	39168872	Netjoy Network	41	2020.02.21	2030.02.20

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
14.		PRC	39168689	Netjoy Network	41	2020.02.14	2030.02.13
15.	嬉游大娱记	PRC	39164978	Netjoy Network	38	2020.02.14	2030.02.13
16.	嬉游大娱记	PRC	39164976	Netjoy Network	9	2020.02.14	2030.02.13
17.		PRC	39164769	Netjoy Network	38	2020.02.14	2030.02.13
18.		PRC	39164743	Netjoy Network	38	2020.02.21	2030.02.20
19.	珍珠胡同	PRC	39164324	Netjoy Network	38	2020.02.14	2030.02.13
20.	珍珠胡同	PRC	39164319	Netjoy Network	9	2020.02.14	2030.02.13
21.	嬉游大娱记	PRC	39158249	Netjoy Network	41	2020.02.14	2030.02.13
22.	珍珠胡同	PRC	39158238	Netjoy Network	41	2020.02.14	2030.02.13
23.	 珍珠胡同 — ZHEN LONG HU TONG —	PRC	39149282	Netjoy Network	35	2020.02.21	2030.02.20
24.	 珍珠胡同 — ZHEN LONG HU TONG —	PRC	39149280	Netjoy Network	9	2020.02.14	2030.02.13
25.	珍珠胡同	PRC	39149216	Netjoy Network	35	2020.02.14	2030.02.13
26.		PRC	39147132	Netjoy Network	9	2020.02.14	2030.02.13
27.		PRC	39147106	Netjoy Network	9	2020.02.21	2030.02.20
28.	netjoy+	PRC	33364963	Netjoy Network	9	2019.09.28	2029.09.27

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
29.		PRC	33355674	Netjoy Network	35	2019.11.28	2029.11.27
30.		PRC	35781887	Letui Culture	35	2019.11.28	2029.11.27
31.		PRC	35786829	Letui Culture	42	2020.01.28	2030.01.27
32.		PRC	42993971	Letui Culture	35	2020.08.28	2030.08.27
33.		PRC	43000412	Letui Culture	42	2020.08.28	2030.08.27
34.		PRC	39172011	Netjoy Network	41	2020.03.21	2030.03.20
35.	 珍珑胡同 — ZHEN LONG HU TONG —	PRC	39164729	Netjoy Network	9	2020.02.28	2030.02.27
36.		PRC	35766858	Netjoy Network	9	2020.03.14	2030.03.13
37.		Hong Kong	305034159	Netjoy Network	35; 42	2019.08.22	2029.08.21
38.		Hong Kong	305120135	Yunxiang Information	35; 42	2019.11.22	2029.11.21

(b) Trademarks for which registration has been applied for

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of application	Application number	Name of applicant	Class	Application date
1.		PRC	39164328	Netjoy Network	9	2019.06.27
2.		PRC	42259553	Yunxiang Information	42	2019.11.12
3.		PRC	42282208	Yunxiang Information	9	2019.11.12
4.		PRC	42272555	Yunxiang Information	42	2019.11.12

No.	Trademark	Place of application	Application number	Name of applicant	Class	Application date
5.	云想科技	PRC	47476360	Yunxiang Information	39	2020.06.22
6.	云想科技	PRC	47455990	Yunxiang Information	45	2020.06.22

(c) *Classification of goods and services for trademarks*

The table below sets out the classification of goods for trademarks in Hong Kong and the PRC (the detailed classification in relation to the relevant trademarks depends on the details set out in the relevant trademark certificates and may differ from the list below):

Class number	Goods and services
9	Scientific, research, navigation, surveying, photographic, cinematographic, audiovisual, optical, weighing, measuring, signalling, detecting, testing, inspecting, life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling the distribution or use of electricity; apparatus and instruments for recording, transmitting, reproducing or processing sound, images or data; recorded and downloadable media, computer software, blank digital or analogue recording and storage media; mechanisms for coin-operated apparatus; cash registers, calculating devices; computers and computer peripheral devices; diving suits, divers' masks, ear plugs for divers, nose clips for divers and swimmers, gloves for divers, breathing apparatus for underwater swimming; fire-extinguishing apparatus.
35	Advertising; business management; business administration; office functions.
38	Telecommunications.
41	Education; providing of training; entertainment; sporting and cultural activities.
42	Scientific and technological services and research and design relating thereto; industrial analysis and industrial research services; design and development of computer hardware and software.

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
1.	Netjoy Technology's news aggregation application software based on Android V1.0 (嗨皮科技基於安卓系統的新聞聚合應用軟件V1.0)	Netjoy Network	2016SR332890	PRC	2016.11.16
2.	Netjoy Technology's WAP station information display software developed based on PHP language V1.0 (嗨皮科技基於PHP語言開發的WAP站信息展示軟件V1.0)	Netjoy Network	2016SR314014	PRC	2016.11.01
3.	Netjoy Technology's Web information search software V1.0 (嗨皮科技全網信息搜索軟件V1.0)	Netjoy Network	2016SR232322	PRC	2016.08.24
4.	Netjoy Technology's tourism information display application software based on IOS V1.0 (嗨皮科技基於IOS平台的旅遊信息展示應用軟件V1.0)	Netjoy Network	2016SR156607	PRC	2016.06.27
5.	Netjoy Technology's back-end management software of advertising information release V1.0 (嗨皮科技廣告信息發佈後台管理軟件V1.0)	Netjoy Network	2016SR399761	PRC	2016.12.28
6.	Netjoy Technology's network information directional acquisition and timing release software V1.0 (嗨皮科技網絡信息定向採集與定時發佈軟件V1.0)	Netjoy Network	2017SR142767	PRC	2017.04.26
7.	Netjoy Technology's information display platform software of service provider preferred product based on Android (嗨皮科技基於安卓系統的服務商家優選產品信息展示平台軟件)	Netjoy Network	2017SR098095	PRC	2017.03.30

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
8.	Netjoy Technology's performance appraisal management software based on OKR V1.0 (嗨皮科技基於OKR績效考核管理軟件 V1.0)	Netjoy Network	2017SR649427	PRC	2017.11.27
9.	Netjoy Technology's distributed information capture and management software based on Web and server V1.0 (嗨皮科技基於Web與服務端分布式信息抓取管理軟件V1.0)	Netjoy Network	2017SR649434	PRC	2017.11.27
10.	Netjoy Technology's advertising traffic management platform based on Web V1.0 (嗨皮科技基於web的廣告流量投放管理平台 V1.0)	Netjoy Network	2017SR661393	PRC	2017.12.01
11.	Netjoy Technology's content distribution management system V1.0 based on CMS (嗨皮科技基於CMS內容分發管理系統V1.0)	Netjoy Network	2017SR614876	PRC	2017.11.09
12.	Netjoy Technology's information release management platform based on Web V1.0 (嗨皮科技基於Web端信息發佈管理平台V1.0)	Netjoy Network	2017SR614313	PRC	2017.11.09
13.	Netjoy Technology's application software of customer relationship management sales platform based on Web front-end V1.0 (嗨皮科技基於Web前端的客戶關係管理銷售平台應用軟件V1.0)	Netjoy Network	2017SR614039	PRC	2017.11.09
14.	Netjoy Technology's application software of media relationship management platform based on Web front-end V1.0 (嗨皮科技基於Web前端的媒介關係管理平台應用軟件V1.0)	Netjoy Network	2017SR614030	PRC	2017.11.09
15.	Netjoy Technology's task scheduling system based on Web and server V1.0 (嗨皮科技基於Web與服務器端任務調度系統 V1.0)	Netjoy Network	2017SR614339	PRC	2017.11.09

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
16.	Netjoy Technology's analysis software based on information display data V1.0 (嗨皮科技基於信息展示數據分析軟件V1.0)	Netjoy Network	2017SR649477	PRC	2017.11.27
17.	Netjoy Technology's promotion channel management system based on Where-to-borrow App V1.0 (嗨皮科技基於哪裡借app推廣渠道管理系統V1.0)	Netjoy Network	2017SR681948	PRC	2017.12.12
18.	Netjoy Technology's application software of media relationship management platform based on Web V2.0 (嗨皮科技基於Web的廣告流量投放管理平台V2.0)	Netjoy Network	2018SR067116	PRC	2018.01.26
19.	Netjoy Technology's analysis software based on information display data V2.0 (嗨皮科技基於信息展示數據分析軟件V2.0)	Netjoy Network	2018SR066640	PRC	2018.01.26
20.	Letui Media's business intelligent platform based on PHP V1.0 (樂推傳媒基於PHP開發的商業智能平台V1.0)	Letui Culture	2018SR498001	PRC	2018.06.28
21.	Netjoy Technology's information release management platform based on Web V2.0 (嗨皮科技基於Web端信息發佈管理平台V2.0)	Netjoy Network	2018SR1063397	PRC	2018.12.24
22.	Netjoy Technology's e-commerce management platform based on Web V1.0 (嗨皮科技基於Web互聯網上的電商管理平台V1.0)	Netjoy Network	2018SR1066627	PRC	2018.12.25
23.	Netjoy Technology's performance appraisal management software based on OKR V2.0 (嗨皮科技基於OKR績效考核管理軟件V2.0)	Netjoy Network	2018SR1063476	PRC	2018.12.24
24.	Netjoy Technology's performance appraisal management software based on OKR V3.0 (嗨皮科技基於OKR績效考核管理軟件V3.0)	Netjoy Network	2018SR1069293	PRC	2018.12.25

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
25.	Netjoy Network's intelligent content distribution management system developed based on PHP V1.0 (嗨皮網絡基於PHP開發的智能分發內容管理系統V1.0)	Netjoy Network	2018SR1068951	PRC	2018.12.25
26.	Netjoy Network's SVN version management system based on Web V1.0 (嗨皮網絡基於Web開發的SVN版本管理系統V1.0)	Netjoy Network	2018SR1067322	PRC	2018.12.25
27.	Netjoy Network's business management platform based on Web V1.0 (嗨皮網絡基於Web運行的商戶管理平台V1.0)	Netjoy Network	2018SR1061377	PRC	2018.12.24
28.	Netjoy Network's Huabian Liangpin WeChat Collections based on mini programs (嗨皮網絡基於微信小程序開發的花邊良品集V1.0)	Netjoy Network	2018SR1061367	PRC	2018.12.24
29.	Netjoy Technology's application software of customer relationship management sales platform based on Web front-end V2.0 (嗨皮科技基於Web前端的客戶關係管理銷售平台應用軟件V2.0)	Netjoy Network	2018SR1075132	PRC	2018.12.26
30.	Netjoy Technology's application software of media relationship management platform based on Web front-end V2.0 (嗨皮科技基於Web前端的媒介關係管理平台應用軟件V2.0)	Netjoy Network	2018SR1075428	PRC	2018.12.26
31.	Netjoy Technology's application software of customer relationship management sales platform based on Web front-end V3.0 (嗨皮科技基於Web前端的客戶關係管理銷售平台應用軟件V3.0)	Netjoy Network	2018SR1084492	PRC	2018.12.27

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
32.	Netjoy Technology's application software of media relationship management platform based on Web front-end V3.0 (嗨皮科技基於Web前端的媒介關係管理平台應用軟件V3.0)	Netjoy Network	2018SR1085132	PRC	2018.12.27
33.	Netjoy Technology's distributed information capture and management software based on Web and server V2.0 (嗨皮科技基於Web與服務端分布式信息抓取管理軟件V2.0)	Netjoy Network	2018SR1085349	PRC	2018.12.27
34.	Netjoy Novel — Joy Novel App V1.0.0 (嗨皮小說—嗨小說App V1.0.0)	Netjoy Network	2019SR0502749	PRC	2019.05.22
35.	Fantasy dragon game software V1.0 (夢幻龍神遊戲軟件V1.0)	Netjoy Network	2020SR0326857	PRC	2020.04.13
36.	Netjoy Technology's shared data reporting and analysis system based on Web v1.0.0 (嗨皮科技基於web端的樂享數據報表及分析系統v1.0.0)	Netjoy Network	2019SR1440684	PRC	2019.12.26
37.	Netjoy Technology's application software of Feiliuhao media based on Web v1.0.0 (嗨皮科技基於web端的飛流號自媒體應用軟件v1.0.0)	Netjoy Network	2019SR1437582	PRC	2019.12.26
38.	Netjoy Information Lianshan's advertisement placing platform based on Toutiao v1.0.0 (嗨皮信息連山基於今日頭條廣告投放平台v1.0.0)	Yunxiang Entertainment	2019SR1439610	PRC	2019.12.26
39.	Netjoy Technology's application software of Feiliuhao management platform based on Web v1.0.0 (嗨皮科技基於web端的飛流號管理平台應用軟件v1.0.0)	Netjoy Network	2019SR1440475	PRC	2019.12.26

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
40.	Netjoy Information Lianshan's advertisement placing platform based on Kuaishou v2.0.0 (嗨皮信息連山基於快手廣告投放平台v2.0.0)	Yunxiang Entertainment	2019SR1445093	PRC	2019.12.27
41.	Netjoy Technology's application software of opinion monitoring system based on Web v1.0.0 (嗨皮科技給予web端的輿情監測系統應用軟件v1.0.0)	Netjoy Network	2019SR1436928	PRC	2019.12.26
42.	Cooperated video trading platform v1.0.0 (合拍視頻交易平台v1.0.0)	Yunxiang Entertainment	2019SR1443367	PRC	2019.12.27
43.	Yunxiang WEB-based OKR system V1.0 (雲想基於WEB的OKR系統V1.0)	Yunxiang Entertainment	2020SR0595090	PRC	2020.06.09
44.	Yunxiang based on the web-side Fei Lihao management platform application software V2.0 (雲想基於web端的飛流號管理平台應用軟件V2.0)	Yunxiang Entertainment	2020SR0592542	PRC	2020.06.09
45.	Yunxiang based on the web-side Fei Lihao self-media application software V2.0 (雲想基於web端的飛流號自媒體應用軟件V2.0)	Yunxiang Entertainment	2020SR0594897	PRC	2020.06.09
46.	Yunxiang based on web front-end customer relationship management sales platform application software V4.0 (雲想基於web前端的客戶關係管理銷售平台應用軟件V4.0)	Yunxiang Entertainment	2020SR0595092	PRC	2020.06.09
47.	Yunxiang customer sales policy and credit reporting platform based on web front-end V1.0 (雲想基於web前端的客戶銷售政策與授信報備平台V1.0)	Yunxiang Entertainment	2020SR0593902	PRC	2020.06.09
48.	Yunxiang Lianshan Advertisement Platform Application Software V3.0 (雲想連山廣告投放平台應用軟件V3.0)	Yunxiang Entertainment	2020SR0592598	PRC	2020.06.09

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
49.	Yunxiang customer relationship management sales platform application software based on Dingding mini application V1.0 (雲想基於釘釘微應用的客戶關係管理銷售平台應用軟件V1.0)	Yunxiang Entertainment	2020SR0931220	PRC	2020.08.14
50.	Yunxiang Lianshan advertisement placing platform V3.5 (雲想連山廣告投放平台V3.5)	Yunxiang Entertainment	2020SR0931199	PRC	2020.08.14
51.	Yunxiang Entertainment actors co-filming mini program application software based on Wechat V1.0 (雲想娛樂基於微信端的合拍演員小程序應用軟件V1.0)	Yunxiang Entertainment	2020SR0931206	PRC	2020.08.14
52.	Yunxiang shared data reporting and analysis system based on web V2.0 (雲想基於web端的樂享數據報表及分析系統V2.0)	Yunxiang Entertainment	2020SR0933938	PRC	2020.08.17
53.	Yunxiang customer sales policy and credit filing platform based on Dingding approval process V1.0 (雲想基於釘釘審批流的客戶銷售政策與授信報備平台V1.0)	Yunxiang Entertainment	2020SR0934445	PRC	2020.08.17
54.	Yunxiang Entertainment announcement co-filming mini program application software based on Wechat V1.0 (雲想娛樂基於微信端的合拍通告小程序應用軟件V1.0)	Yunxiang Entertainment	2020SR0934452	PRC	2020.08.17

Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	netjoy.com	Netjoy Network	2000.03.07	2024.03.07
2.	ccnxs.com	Netjoy Network	2016.11.17	2023.11.17
3.	dh30.com	Netjoy Network	2012.08.22	2022.08.22
4.	toutiao399.com	Netjoy Network	2018.05.16	2022.05.16
5.	lq399.com	Netjoy Network	2018.05.15	2022.05.15
6.	lieqi12.com	Netjoy Network	2018.05.15	2022.05.15
7.	kantoutiao.com.cn	Netjoy Network	2018.06.11	2022.06.11
8.	toutiao001.top	Netjoy Network	2018.09.04	2022.09.04
9.	huabian.com	Netjoy Network	2005.11.14	2025.11.14
10.	baoliao001.com	Netjoy Network	2013.11.11	2022.11.11
11.	hapi123.net	Netjoy Network	2015.06.25	2022.06.25
12.	nalijie.cn	Netjoy Network	2016.11.11	2024.11.11
13.	feeds6.cn	Netjoy Network	2016.11.11	2022.11.11
14.	feed6.cn	Netjoy Network	2016.11.11	2022.11.11
15.	feeds6.com	Netjoy Network	2016.11.11	2022.11.11
16.	huapan.tv	Netjoy Network	2016.10.18	2022.10.18
17.	jianmian.org	Netjoy Network	2013.05.27	2022.05.27
18.	letui.mobi	Netjoy Network	2018.07.20	2022.07.20
19.	feeds.mobi	Letui Culture	2016.11.04	2022.11.04
20.	netempower.com	Letui Culture	2010.04.20	2023.04.20
21.	netempower.cn	Letui Culture	2018.07.20	2022.07.20
22.	tuile.me	Letui Culture	2013.12.03	2022.12.03

No.	Domain name	Registrant	Date of registration	Expiry date
23.	hepai.video	Netjoy Network	2019.10.25	2022.10.25
24.	mifangba.com	Yunxiang Entertainment	2013.05.09	2028.05.09
25.	yxfengsheng.com	Yunxiang Entertainment	2020.04.07	2021.04.07

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interest

(a) Disclosure of interest of Directors and chief executive of our Company

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interests in the Shares of our Company

Name of Director/ Chief executive	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Wang ⁽¹⁾⁽⁵⁾	Founder of a discretionary trust/ Interest in a controlled corporation/ Interest of concert parties	241,519,745	30.19%
Mr. Xu ⁽²⁾⁽⁵⁾	Founder of a discretionary trust/ Interest in a controlled corporation/ Interest of concert parties	241,519,745	30.19%
Mr. Qin ⁽³⁾⁽⁵⁾	Founder of a discretionary trust/ Interest in a controlled corporation/ Interest of concert parties	241,519,745	30.19%
Mr. Dai ⁽⁴⁾	Founder of a discretionary trust/ Interest in a controlled corporation	67,140,959	8.39%

Notes:

- (1) Wang SPV is the Direct Holding SPV of The Longhills Trust, which is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.
- (2) Xu SPV is the Direct Holding SPV of The FS Trust, which is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.
- (3) Qin SPV is the Direct Holding SPV of The MH's Family Trust, which is set up by Mr. Qin (as the economic settlor and the protector) and CareFree Planning (as the settlor). CareFree Planning is the Offshore Holding Company wholly owned by Mr. Qin. Therefore, Mr. Qin (as the founder of The MH's Family Trust and the sole shareholder of CareFree Planning) is deemed to be interested in the Shares directly held by Qin SPV by virtue of the SFO.
- (4) Dai SPV is the Direct Holding SPV of The RGRGU Trust, which is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.
- (5) Pursuant to the Acting-in-concert Agreement, our Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin), together with their respective Offshore Holding Companies (i.e. Derun Investments, Quantum Computing and CareFree Planning) and the Direct Holding SPVs of their respective Family Trust (i.e. Wang SPV, Xu SPV and Qin SPV), have confirmed that they had and would continue to act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of our Group. See "History, Reorganization and Corporation Structure — Reorganization — Acting in Concert Arrangement" for details. As such, Mr. Wang, Mr. Xu and Mr. Qin, together with Derun Investments, Quantum Computing and CareFree Planning, are all deemed to be interested in the total Shares directly held by Wang SPV, Xu SPV and Qin SPV by virtue of the SFO.

(ii) Interests in our associated corporation

<u>Name of Director/ Chief executive</u>	<u>Nature of interest</u>	<u>Name of associated corporation</u>	<u>Attributable registered capital (RMB)</u>	<u>Approximate percentage of shareholding</u>
Mr. Wang ⁽¹⁾	Beneficial interest/Interest of concert parties	Netjoy Network	21,556,808	40.27%
Mr. Xu ⁽¹⁾	Beneficial interest/Interest of concert parties	Netjoy Network	21,556,808	40.27%
Mr. Qin ⁽¹⁾	Beneficial interest/Interest of concert parties	Netjoy Network	21,556,808	40.27%
Mr. Dai	Beneficial interest	Netjoy Network	5,992,656	11.20%

Note:

- (1) Pursuant to the Original Acting-in-concert Agreement, Mr. Wang, Mr. Xu and Mr. Qin have acknowledged and agreed to act in concert by aligning their votes at the board meetings and shareholders' meetings of Netjoy Network. See "History, Reorganization and Corporation Structure — Corporate Development — Netjoy Network — Acquisition by our Ultimate Controlling Shareholders and early development" for further details. As such, all of Mr. Wang, Mr. Xu and Mr. Qin are deemed to be interested in the total shares directly held by them in Netjoy Network by virtue of the SFO.

(b) Disclosure of interest of substantial Shareholders of our Company

Save as disclosed in “Substantial Shareholders,” our Directors are not aware of any other person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), have an interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

As of the Latest Practicable Date, so far as is known to our Directors, the following persons were interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any member of our Group other than us or had option in respect of such capital:

<u>Name of shareholder</u>	<u>Nature of member of our Group</u>	<u>Approximate percentage of shareholding</u>
Mr. Wang ⁽¹⁾	Netjoy Network	40.27%
Mr. Xu ⁽¹⁾	Netjoy Network	40.27%
Mr. Qin ⁽¹⁾	Netjoy Network	40.27%
Kijiji	Netjoy Network	13.00%
Mr. Dai	Netjoy Network	11.20%
Wutong Holding	Netjoy Network	10.03%

Note:

- (1) Pursuant to the Original Acting-in-concert Agreement, Mr. Wang, Mr. Xu and Mr. Qin have acknowledged and agreed to act in concert by aligning their votes at the board meetings and shareholders’ meetings of Netjoy Network. See “History, Reorganization and Corporation Structure — Corporate Development — Netjoy Network — Acquisition by our Ultimate Controlling Shareholders and early development” for further details. As such, all of Mr. Wang, Mr. Xu and Mr. Qin are deemed to be interested in the total shares directly held by them in Netjoy Network by virtue of the SFO.

2. Particulars of Directors’ service contracts and letters of appointment

Each of Mr. Wang and Mr. Xu, being our executive Directors, has entered into a service contract with our Company on November 17, 2020. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Each of Mr. Qin, Mr. Dai, Mr. Zhang Jianguo and Mr. Wang Jianshuo, being our non-executive Directors and Mr. Chen Changhua, Dr. Ru Liyun and Ms. Cui Wen being our independent non-executive Directors, has entered into a letter of appointment with our Company on November 17, 2020. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

3. Directors' remuneration

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were approximately RMB898,000, RMB1,167,000, RMB1,285,000 and RMB643,000, respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Save as disclosed in this prospectus, no other payments have been made or are payable for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

It is estimated that remuneration equivalent to approximately RMB1,507,327 in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2020, based on the arrangements currently in force.

4. Personal guarantees

Save as disclosed in Note 25 in Appendix I to this prospectus, our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted or to be granted to any member of our Group.

5. Agency fees or commissions received

No commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

6. Disclaimers

- (a) Save as disclosed in “— C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interest,” none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;
- (b) none of our Directors or any of the experts referred to under “— F. Other Information — 7. Qualification of experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;

- (c) 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 the business of our Group;
- (d) save as disclosed in “— C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Directors’ service contracts and letters of appointment,” none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) save as disclosed in “— C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interest,” taking no account of any Shares which may be taken up under the Global Offering, so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, 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; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions in writing of our Shareholders passed on November 17, 2020.

(a) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants to the Post-IPO Share Option Scheme

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options.

(c) *Maximum number of Shares*

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 80,000,000, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Option Scheme Mandate Limit**”) (excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the “**Option Scheme Limit**”). No options may be granted under any schemes of our Company (or our Subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

(d) *Maximum entitlement of a grantee*

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

(e) *Performance target*

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(f) Subscription price

The amount payable for each Share to be subscribed for under an option (the “**Subscription Price**”) in the event of the option being exercised shall be determined by the Board in its absolute discretion but shall be not less than the higher of:

- (i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share on the date of grant.

(g) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme.

(h) Options granted to directors or substantial shareholders of the Company

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled 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% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options shall be subject to prior approval of the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. The relevant selected participants, their associates, and all core connected persons of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(i) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

(j) Restriction of grant of options

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no options shall be granted to any selected participants after inside information has come to the Company's knowledge until it has announced the information. In particular, 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 Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of the Company's quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements, no option may be granted.

Such period will also cover any period of delay in the publication of any results announcement.

(k) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(l) Cancellation of options

Any breaches of the rules of the Post-IPO Share Option Scheme by a grantee may result in the options granted to such grantee being canceled by the Company. Any options granted but not exercised may be canceled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the canceled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

(m) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (the “**Option Period**”);
- (ii) the date or the expiry of any of the periods for exercising the option as referred to in paragraphs (p), (q) and (r) below;
- (iii) the date on which the grantee commits a breach of the rules of the Post-IPO Share Option Scheme; and
- (iv) unless the Board otherwise determines, and other than in the circumstances referred to in paragraphs (p) below, the date the grantee ceases to be a selected participant (as determined by a Board resolution) for any other reason.

(n) Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

(o) Effects of alterations in the capital structure of the company

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares comprised in each option so far as unexercised; and/or
- (ii) the Subscription Price; and/or
- (iii) the method of exercise of the option,

or any combination thereof, as the auditors or an independent financial adviser engaged by our Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or independent financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or independent financial advisor (as the case may be) shall be borne by our Company.

(p) Retirement, death or permanent physical or mental disability of an selected participant

If a grantee ceases to be selected participant by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with the Group or its affiliate by reason of his/her permanent physical or mental disablement, (iii) retirement of the grantee, the option may be exercised within the Option Period, or such other period as the Board or its delegate(s) may decide in their sole discretion.

In the case of death of a grantee, the option may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the option is not exercised within the time mentioned above, the option shall lapse.

If a grantee, being an employee whose employment is terminated by the Group or its affiliate (as applicable) by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the grantee having been convicted of any criminal offense involving his integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be selected participant due to termination of his or her employment or contractual engagement with the Group by reason of redundancy, the option may be exercised within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

If a grantee ceases to be selected participant other than in any of the circumstances described above, unless otherwise provided in the option agreement, a grantee may exercise his or her option within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

(q) Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall lapse.

If a compromise or arrangement between the Company and its members or creditors is proposed, our Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may until the expiry of the period commencing with such date and ending with earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) 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 and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Post-IPO Share Option Scheme. Our Company may require the grantee 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 grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

(r) *Rights on a voluntary winding up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) 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 subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

(s) *Ranking of shares*

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of the Company and subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

(t) *Duration*

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

(u) *Alteration of the Post-IPO Share Option Scheme*

The Board may subject to the rules of the Post-IPO Share Option Scheme amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted, must also, to be effective, be approved by the Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Law or the Takeovers Code.

(v) Termination

The Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Share Option Scheme prior to the expiry of the Post-IPO Share Option Scheme and in such event no further options will be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

Details of the options granted, including options exercised or outstanding, under the Post-IPO Share Option Scheme shall be disclosed in the circular to the Shareholders seeking approval of the new scheme established after the termination of the Post-IPO Share Option Scheme.

E. OTHER INFORMATION ABOUT THE ONSHORE INVESTORS

1. Jingheng Jianyong

Goyoo Networks Co., Ltd. (北京光音網路發展股份有限公司) (“**Goyoo Networks**”), the shares of which are listed on the NEEQ (stock code: 835505), is a limited partner of Jingheng Jianyong holding approximately 19.88% interests therein. Netjoy Network entered into a cooperation agreement with Goyoo Networks in 2017 in the ordinary and usual course of business of our Group on normal commercial terms, pursuant to which Netjoy Network agreed to provide the online promotion services to Goyoo Networks from July to December 2017. The total transaction amount under such cooperation agreement is approximately RMB1.95 million and has been fully settled.

2. Kijiji

Mr. Wang Jianshuo, the chairman of the board of Baixing Net, also serves as the non-executive Director of our Company and Netjoy Network as a result of Baixing Net's investment in our Group through Kijiji as described in "Directors and Senior Management." In addition, our Group has provided, and will continue to provide one-stop online marketing solutions to Baixing Net Group and its end advertisers as described in "Connected Transactions." During the Track Record Period, Baixing Net once provided to our Group (i) traffic distribution service in 2017 with a total transaction amount of RMB55,000 as described in Note 30(a) to the Accountants' Report in Appendix I to this prospectus, and (ii) a one-off shareholder loan of RMB100.0 million in May 2018 out of its general working capital which was fully repaid by our Group in December 2018 as described in "Financial Information - Related Party Transactions."

3. Wutong Holding

Mr. Zhang Jianguo, the president and director of Wutong Holding, also serves as the non-executive Director of our Company and Netjoy Network as a result of Wutong Holding's investment in our Group as described in "Directors and Senior Management." In addition, in December 2017, Wutong Holding intended to acquire the entire issued share capital of Netjoy Network by way of a mixture of cash offer and securities exchange, details of which have been fully disclosed to the public by both of Wutong Holding and Netjoy Network on NEEQ. Such acquisition did not proceed as the then shareholders of Netjoy Network remained optimistic about the business prospects and potential growth of Netjoy Network, and such acquisition plan was subsequently replaced by the strategic investment of Wutong Holding in Netjoy Network in May 2018 as described in "History, Reorganization and Corporate Structure — Corporate Development — Netjoy Network — Listing on the NEEQ — Investments by the Onshore Investors."

4. Guzon Asset

As described in "History, Reorganization and Corporate Structure — Pre-IPO Investment," Mr. Ku currently holds senior management positions in Guzon Investment Management Group Co., Ltd. (巨漳投資管理集團有限公司) ("Guzon Investment") and its subsidiaries. Mr. Chen Shengfei, the sole registered shareholder and the general manager of Guzon Asset, previously held senior management positions in Guzon Investment from 2015 to 2018 and currently serves as the supervisor and non-executive director at Guzon Investment's subsidiary level. To the best knowledge of our Directors, save as the aforementioned, (i) there is no relationship between Mr. Ku and Guzon Asset, or between Mr. Ku and Mr. Chen Shengfei; and (ii) Guzon Asset and Guzon Investment are independent from each other as to the ownership structure and the operation and management.

5. Aofa Management

Ms. Ji Yue, one of the shareholders of Aofa Management, once held a 4% equity interest in Shanghai Buwei from July 2019 to January 2020, a company in which Netjoy Network currently holds 20% equity interest.

Save as disclosed in "History, Reorganization and Corporate Structure," "Contractual Arrangements" and the above, as of the Latest Practicable Date, our Directors were not aware of any other past or present relationship among the Onshore Investors or between each of the Onshore Investors and our Group, Controlling Shareholders, Directors and senior management, or any of their respective associates.

F. OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee is HKD6.4 million and is payable by our Company.

4. Preliminary expenses

The preliminary incurred by our Company amounts to approximately RMB89,515.

5. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Hong Kong branch 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 or, 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.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Haitong International Capital Limited . . .	Licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
DeHeng Law Offices	PRC legal advisers
Harney Westwood & Riegels	Cayman Islands legal advisers
Shanghai iResearch Co., Ltd.	Industry consultant

8. Consents of experts

Each of Haitong International Capital Limited, Ernst & Young, DeHeng Law Offices, Harney Westwood & Riegels and Shanghai iResearch Co., Ltd. has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
- (i) save as disclosed in “History, Reorganization and Corporate Structure,” no share or loan capital of our Company or any member of our Group had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any member of our Group;
 - (iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any member of our Group;
- (b) no share or loan capital of our Company or any member of our Group had been under option or agreed conditionally or unconditionally to be put under option;
- (c) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any member of our Group;
- (d) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) our principal register of members will be maintained by our principal registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong share registrar, Tricor Investor Services Limited, in Hong Kong. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong;
- (g) all necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (h) no company within our Group is listed on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and
- (i) there is no arrangement under which future dividends are waived or agreed to be waived.

12. Particulars of the Over-allotment Option Grantors

Pursuant to the International Underwriting Agreement, if the Sole Global Coordinator (for itself and on behalf of the International Underwriters) elects to fully exercise the Over-allotment Option, each of the Over-allotment Option Grantors are required sell and transfer up to 15,000,000 Shares (in aggregate being up to 30,000,000 Shares, representing 15% of the initial Offer Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Offering, details of which are described in the section headed “Structure and Conditions of the Global Offering” in this Prospectus.

After the Capitalization Issue and the Global Offering, the number of Shares held by the Over-allotment Option Grantors (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme) are set out in the following table:

Name of the Over-allotment Option Grantors	Number of Shares and approximate percentage of shareholding held by the Over-allotment Option Grantors assuming the Over-allotment Option is not exercised		Number of Shares to be sold by the Over-allotment Option Grantors pursuant to full exercise of the Over-allotment Option	Number of Shares and approximate percentage of shareholding held by the Over-allotment Option Grantors assuming the Over-allotment Option is fully exercised	
	Shares	%	Shares	Shares	%
Dai SPV	67,140,959	8.39	15,000,000	52,140,959	6.52
Guzon Asset	57,627,795	7.20	15,000,000	42,627,795	5.33

The particulars of each Over-allotment Option Grantor as of the Latest Practicable Date are set out as follow:

(1) Dai SPV

Name	:	Blackburn Capitals Holding Limited
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	November 22, 2019
Registered office address	:	3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands
Number of Shares that may be sold pursuant to the full exercise of the Over-allotment Option	:	15,000,000

(2) Guzon Asset

Name	:	Shanghai Guzon Asset Management Co., Ltd. (上海巨漳資產管理有限公司)
Place of incorporation	:	PRC
Date of incorporation	:	September 9, 2015
Registered address	:	Room D1-3691, No. 58, Fumin Branch Road, Hengsha Township, Chongming District, Shanghai, PRC
Number of Shares that may be sold pursuant to the full exercise of the Over-allotment Option	:	15,000,000

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts;”
- (c) the written consents referred to in “Appendix IV — Statutory and General Information — F. Other Information — 8. Consents of experts;” and
- (d) the statement of particulars of the Over-allotment Option Grantors.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of William Ji & Co. LLP (in Association with Tian Yuan Law Firm Hong Kong Office) at Suites 3304-3309, 33/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of the Group for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020;
- (e) the legal opinions issued by DeHeng Law Offices, our PRC Legal Advisors, dated the date of this prospectus in respect of certain aspects of our Group;
- (f) the letter of advice prepared by Harney Westwood & Riegels, our legal advisor as to the laws of the Cayman Islands, summarizing certain aspects of Cayman Companies Law referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts;”
- (h) the written consents referred to in “Appendix IV — Statutory and General Information — F. Other Information — 8. Consents of experts;”
- (i) service contracts and the letters of appointment referred to in “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Directors’ service contracts and letters of appointment;”
- (j) the Cayman Companies Law;
- (k) the terms of the Post-IPO Share Option Scheme;
- (l) the iResearch Report; and
- (m) the statement of particulars of the Over-allotment Option Grantors.

netjoy⁺

NETJOY HOLDINGS LIMITED

