

Bright Future Technology Holdings Limited

辉煌明天科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1351

SHARE OFFER

Sole Sponsor



Financial Adviser

金聯資本



Joint Global Coordinators



阿尔法国际证券
ALPHA INTERNATIONAL SECURITIES

Joint Bookrunners and Joint Lead Managers



阿尔法国际证券
ALPHA INTERNATIONAL SECURITIES



國際

IMPORTANT

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

Bright Future Technology Holdings Limited

輝煌明天科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 125,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 12,500,000 Shares (subject to reallocation)
Number of Placing Shares	: 112,500,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$1.1 per Offer Share and expected to be not less than HK\$1.0 per Offer Share (payable in full on application in Hong Kong dollars plus brokerage of 1.00%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal Value	: HK\$0.1 per Share
Stock Code	: 1351

Sole Sponsor

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Financial Adviser



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



國際

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 "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, delivered, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to qualified institutional buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 2 November 2020 and, in any event, not later than Friday, 6 November 2020, or such other date as agreed between parties. The Offer Price will be no more than HK\$1.1 per Offer Share and is currently expected to be no less than HK\$1.0 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, 6 November 2020, or such other date as agreed between parties between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Share Offer will not proceed and will lapse.

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

The Joint Global Coordinators may (for themselves and on behalf of the Underwriters), with our consent, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative offer price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, an announcement will be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.btomorrow.cn not later than the morning of the day which is the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by us as soon as practicable. See "Structure of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus.

28 October 2020

EXPECTED TIMETABLE⁽¹⁾

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.btomorrow.cn if there is any change in the following expected timetable of the Public Offer.

2020⁽¹⁾

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on
Wednesday, 28 October

Latest time for completing electronic applications under
the **HK eIPO White Form** service through one
of the below ways⁽²⁾:

(1) the designated website www.hkeipo.hk

(2) the **IPO App**, which can be downloaded
by searching “**IPO App**” in App Store or
Google Play Store or downloaded at
www.hkeipo.hk/IPOApp or

www.tricorglobal.com/IPOApp 11:30 a.m. on
Monday, 2 November

Application lists of the Public Offer open⁽³⁾ 11:45 a.m. on
Monday, 2 November

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on
Monday, 2 November

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
Monday, 2 November

Application lists of the Public Offer close⁽³⁾ 12:00 noon on
Monday, 2 November

Expected Price Determination Date⁽⁵⁾ on or around
Monday, 2 November

Announcement of the Offer Price, the indication of

the levels of interest in the Placing, the results of

applications in respect of the Public Offer and

the results and basis of allotment of the Public Offer Shares

under the Public Offer is expected to be published on

the Stock Exchange's website at www.hkexnews.hk

and our Company's website at www.btomorrow.cn⁽⁸⁾ from Tuesday, 10 November

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Public Offer to
be available at www.tricor.com.hk/ipo/result
(alternatively: www.hkeipo.hk/IPOResult) or
available at “Allotment Result” function in the **IPO App**
with a “search by ID/Business Registration Number”
function from⁽⁶⁾⁽⁷⁾Tuesday, 10 November

Announcement of results of allotment of the Public Offer
(with successful applicants’ identification document numbers,
where applicable) available through a variety of channels
as described in the section headed “How to apply for
Public Offer Shares – 11. Publication of results” of
this prospectus fromTuesday, 10 November

Despatch/collection of Share certificates in respect of
wholly or partially successful applications pursuant to
the Public Offer on or before⁽⁶⁾⁽⁹⁾Tuesday, 10 November

Despatch/collection of **HK eIPO White Form**
e-Auto Refund payment instructions/refund cheques in
respect of wholly successful (if applicable) or wholly or
partially unsuccessful applications pursuant to
the Public Offer on or before⁽⁶⁾⁽⁷⁾Tuesday, 10 November

Dealings in Shares on the Stock Exchange to commence at9:00 a.m. on
Wednesday, 11 November

The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 10 November 2020. In addition, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be longer than the normal market practice but in any event not more than seven business days after the Price Determination Date. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 11 November 2020.

Notes:

- (1) Unless otherwise stated, all times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set forth in the section headed “Structure of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the Stock Exchange website at www.hkexnews.hk and our website at www.btomorrow.cn.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website or the **IPO App** 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 eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 2 November 2020, the application lists will not open and close on that day. Please see the section headed “How to apply for Public Offer Shares – 10. Effect of bad weather and/or extreme conditions on the opening of the application lists” of this prospectus. If the application lists do not open and close on Monday, 2 November 2020, the dates mentioned in the section headed “Expected Timetable” of this prospectus may be affected.

EXPECTED TIMETABLE⁽¹⁾

- (4) Applicants who apply by giving **electronic application instructions** to the HKSCC should refer to the section headed “How to apply for Public Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” of this prospectus.
- (5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or about Monday, 2 November 2020 and, in any event, not later than Friday, 6 November 2020. If, for any reason, the final Offer Price is not agreed by us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer (including the Public Offer) will not proceed and will lapse.
- (6) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all required information may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Tuesday, 10 November 2020.

Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be deposited into CCASS for the credit of their designated CCASS participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

- (7) e-Auto Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the initial price per Public Offer 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 would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set forth in the section headed “How to apply for Public Offer Shares” of this prospectus.
- (8) None of the website or any of the information contained on the website forms part of this prospectus.
- (9) Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed “How to apply for Public Offer Shares – 14. Despatch/collection of share certificates and refund monies” of this prospectus.

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 11 November 2020 provided that the Public Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Public Offer, please see the sections headed “How to apply for Public Offer Shares” and “Structure of the Share Offer” of this prospectus.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Public Offer is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Share Offer. Information contained on our website at www.btomorrow.cn does not form part of this prospectus.

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SUMMARY

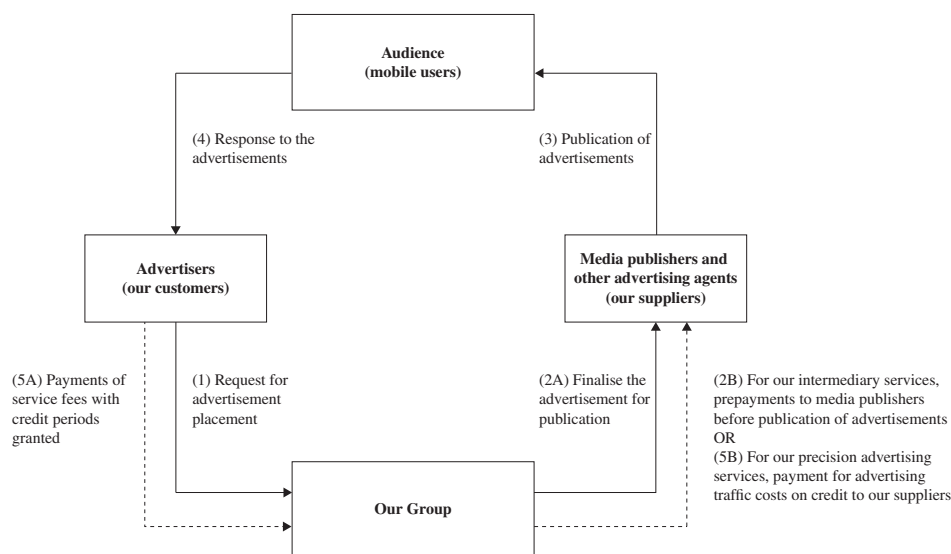
This summary is intended to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks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

OVERVIEW

We are a mobile advertising company offering one-stop and tailor-made advertising services to customers in China. Established in late 2015, we offer customers with comprehensive mobile advertising services from promotion planning, advertisement production and placement to post-publication monitoring, with an aim to optimise the promotional effectiveness for our customers. In 2019, our Group contributed to approximately 0.5% of the revenue of the total mobile advertising agency market in China.

Services rendered by us as mobile advertising company

The following flowchart illustrates the general process (including flow of actions and flow of monies) of mobile advertising services generally undertaken by us:



Notes:

—> Denotes flow of actions and - - -> denotes flow of monies

Steps (1) to (5) above refer to the sequence of the general process for our mobile advertising services.

The following are the major steps of the general process of our mobile advertising services:

- (1) Advertisers place an advertising order to us;
- (2A) Through our value-added services provided to our customers which include, among others, (i) update on latest market trend; (ii) in-house design of advertisement, post-publication performance monitoring; (iii) planning and executing advertisement placements and adjustment of advertising strategies to obtain effective results; and (iv) arrangement of suppliers, we finalise the advertisement for publications;
- (2B) For intermediary services, we make prepayments to media publishers on behalf of our customers to purchase virtual tokens to bid for advertisement inventories for advertisement placement;
- (3) Advertisements are published through the media publishers selected;

SUMMARY

- (4) The target audience responds to the advertisements such as clicking the advertisement, downloading the advertised products or taking effective actions according to the content of the advertisements;
- (5A) We charge our customers for service fees based on the agreed pricing terms with credit periods we granted; and
- (5B) For our precision advertising services, our suppliers charge us for advertising traffic costs on credit after publication of advertisements.

Please also refer to the section headed “Business – Our services – Key service process of our mobile advertising services” of this prospectus for more details.

Advertisers are the initiators of the value chain who are in need of marketing solutions for promotion of their products and services as well as brand building. Advertisers tend to engage mobile advertising companies for mobile advertising services because (i) they usually do not directly liaise with major media publishers which do not maintain a large team of manpower to handle advertisement placement requests; and (ii) the mobile advertising companies provide value-added services to them. The values added by the mobile advertising companies include (i) rich industry experience and specialised knowledge to reach wide network of media publishers; (ii) full spectrums of add-on services, such as selection of suitable media publishers to accomplish the advertisers’ goals and connection with the media publishers; (iii) price advantages due to the discount offered to them based on their relationship with media publishers; (iv) time advantages for advertisers to save time to prepare the advertising campaign; and (v) favourable payment terms as they may pay for the customers in advance to the media publishers as well as offer credit terms to their customers. According to the F&S Report, advertisers tend to engage multiple mobile advertising companies and allocate advertising budget among them even for the placement of the same advertisement in order to reach a broader range of media publishers and exercise multiple advertising strategies. Moreover, advertisers have little difficulties to replace their advertising agents, and advertising agents hence compete with each other based on, among others, their service qualities and variety of media publishers offered to the advertisers. At present, the mobile advertising agency market is fragmented, with over ten thousands advertising agents, and the major entry barriers include technology barriers, channel resources and abundance of data resources. As demand for mobile advertising services continues to increase, together with the low barriers of entry, we expect new competitors to enter into the mobile advertising market. Market competition lies in the technology and business model innovation, especially in the ability to attract more traffic and to optimise acquisition cost.

As a mobile advertising company, we offer our customers with extensive network of suppliers for placements of advertisements, as well as our experiences and expertise along the service chain, so as to assist our customers in achieving their advertising goals. The advertisements are delivered to the target audience via applications on their mobile devices such as mobile phones and tablets. We provide two types of mobile advertising services, namely the intermediary services and the precision advertising services. For our intermediary services, we connect our customers with media publishers to arrange the publication of our customers’ advertisements at media publishers with an aim to maximise the exposure of the advertisements. We usually propose and execute advertising plans according to the advertising goals of our customers. For our precision advertising services, we reach more specific target audience for our customers by advertising with an aim to achieve effective results of the advertisements. Advertisements of our precision advertising services are result-oriented and generally target at a specific niche group of audience. The achievement of effective results normally requires higher degree of personal involvements from the audience, through either (i) experiencing or using the products by activating or reactivating the products or registering as the users of the advertised products; or (ii) inducing actual sales. The following table sets out the key features of our intermediary services and precision advertising services business:

	Intermediary services	Precision advertising services
Purpose of advertising	For maximising the exposures and impressions of customers’ advertisements in order to reach a wide spectrum of audience	For meeting specific advertising results set by our customers through reaching a specific niche audience group. The achievement of advertisement results normally requires higher degree of personal involvements from the audience, through either (i) experiencing or using of the advertised products; or (ii) inducing actual sales

SUMMARY

	Intermediary services	Precision advertising services
Key roles and responsibilities	We arrange the publication of advertisements at media publishers concluded and designated by our customers	We plan and execute the advertisement placements for our customers and are responsible for the whole advertising process. In particular, we are responsible for the advertising strategies including sourcing the suitable suppliers
Media publishers	Top media (usually having a monthly active users of over 50 million), which includes popular search engines and news-feed media	Long to medium tailed media (usually medium-sized mobile apps or small-sized media publishers) in general, such as mobile games and e-commerce apps
Payment schedule and obligation	Upon confirming customers' advertising orders, we purchase the virtual tokens of the designated media publishers on behalf of our customers and arrange the bidding of advertisement inventories, and we only charge our customers after publication of the advertisements with credit period granted	We bill our customers and pay our suppliers after publication of the advertisement with reference to the agreed and confirmed number of effective results
Pricing mechanisms	Monetary value of virtual tokens consumed based on different pricing mechanisms, such as cost per click (CPC), cost per download (CPD), cost per time (CPT) or cost per mille (CPM) Such pricing mechanisms generally reflect the frequency of appearance of the advertisements placed to meet the advertising purpose of maximising the exposure of the advertisements	Based on cost per action (CPA) or cost per sale (CPS) in general Such pricing mechanisms reflect the effective results derived from the publication of advertisements to meet the advertising purpose of achieving specific advertising results
Profit models	The margin is derived from the fees we charge our customers less the costs of virtual tokens consumed Our profitability is principally derived from our ability to connect our customers with media publishers that we are able to enjoy lower costs due to bulk purchase of virtual tokens	The margin is derived from the revenue we generated from each effective result from our customers, deducted by our cost of services Our profitability is principally derived from achieving the specific results from the advertisement, by effectively executing our advertising strategies and the advertising plans

Prepayments for intermediary services

Pursuant to the F&S Report, top media publishers usually maintain their own advertising placement system for the purchases of virtual tokens and the bidding of advertisement inventories, thus making the requirement of prepayment to media publishers (in form of purchases of virtual tokens) necessary for procuring advertisement inventories. Pursuant to our business model, for our intermediary services, we operate an account at media publishers' advertising placement system on our customers' behalves and, after we have confirmed the advertising orders from our customers, we purchase designated virtual tokens in advance, as we are required to have sufficient amount of virtual tokens before arranging the bidding for advertisement inventories. This involves making a substantial amount of prepayments to media publishers before we bill our customers for the advertisement placements. Any unused virtual tokens can be refunded to us in cash without interest and surcharges.

Prepayments to media publishers accounted for a significant portion of our working capital. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the prepayments to media publishers amounted to approximately RMB18.4 million, RMB67.4 million, RMB67.2 million and RMB67.6 million respectively, representing approximately 21.2%, 27.1%, 19.9% and 17.7% of our total assets, respectively. The transaction amounts in intermediary services which require prepayments accounted for 64.5%, 77.7%, 94.1% and 80.5% of our total revenue generated from the intermediary services (under the gross basis for revenue recognition) for the

SUMMARY

three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. We offer credit period to our customers, ranging from 30 to 150 days, so there is a time lag between the time when we purchase the virtual tokens on behalf of our customers and the time when the customers settle the trade receivables. For details, please refer to the sections headed “Business – Our services – Key service process of our mobile advertising services – Working capital cycle” and “Financial information – Discussion of certain key consolidated statements of financial position – Deposits, prepayments and other receivables”. The scale of our intermediary services is therefore constrained by the working capital we have on hand from time to time and due to the limit in our working capital, we declined some of the advertising orders from customers during the Track Record Period.

For the arrangements of prepayment and the subsequent settlement by our customers, we are exposed to liquidity risk due to the time difference in making prepayment and receiving payment from our customers, which may hinder our ability and sufficiency in working capital for making prepayments for new advertising orders. We are also subject to the credit risk in our outstanding balance of trade receivables, which is dependent on our customers’ credit-worthiness. Although the prepayments made in the form of virtual tokens are generally refundable in cash upon our request, there is no assurance that we may receive the refund of prepayment made to our suppliers in a timely manner. We are therefore also exposed to the risk of default and recoverability risks in refund of prepayment. For details, please refer to the section headed “Risk factors – We have to pay for our customers in advance to media publishers before arranging the bidding of advertisement inventories, and we are exposed to risks with regard to collection of our trade receivables from our customers” of this prospectus.

Key operating data

For our intermediary services, we are required by the media publishers to purchase designated virtual tokens in cash, before we can arrange the bidding of the advertisement inventories on our customers’ behalves. To bid for advertisement inventories, we set the bid price of the intended advertisement inventory representing the number of virtual tokens in exchange for the advertisement inventories in terms of CPC, CPD, CPT or CPM, as the case may be. As the virtual tokens are consumed during advertisement placement, the consumption of virtual tokens is therefore the key parameter reflecting the actual procurement of the advertisement inventories for advertisement placements. The following table sets out the key operating data in relation to virtual tokens consumed during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
Total virtual tokens consumed (millions)	162.21	492.37	761.63	313.31
Average price per each virtual token (RMB)	0.86	0.83	0.69	0.77
Average costs per each virtual token (RMB)	0.72	0.74	0.63	0.70
Average margin (RMB)	0.14	0.09	0.06	0.07

The average margin of virtual tokens consumed decreased from approximately RMB0.14 to RMB0.09 and RMB0.06 for the three years ended 31 December 2019, and RMB0.07 for the four months ended 30 April 2020. Such decrease in average margin was mainly attributable to, among others, our broadening mix of media publishers and expansion of our business with the first-tier media publishers during the three years ended 31 December 2019, whose margins generated from advertisements placed were generally lower.

For our precision advertising services, the following table sets out the key operating data in relation to advertisements charged based on CPA and CPS during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
For advertisements charged based on CPA				
Total effective actions confirmed by our customers (’000)	34,980	180,282	85,019	43,826

SUMMARY

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
Average price per each effective action (RMB)	2.09	1.11	2.66	2.09
Average costs per each effective action (RMB)	1.59	0.89	2.13	1.63
Average margin (RMB)	0.50	0.22	0.53	0.46
<i>For advertisements charged based on CPS</i>				
Total effective sales generated to our customers (RMB'000)	18,745	25,115	16,780	462
Average price per effective sales of RMB1 (RMB)	0.42	0.40	0.55	0.46
Average costs per effective sales of RMB1 (RMB)	0.32	0.30	0.33	0.36
Average margin (RMB)	0.10	0.10	0.22	0.10

There was a decrease in the average price, average cost and average margin per effective action based on CPA for the year ended 31 December 2018, which was mainly attributable to (i) the substantial increase in the number of effective actions arisen from reactivation of advertised products, which was mainly attributable to the substantial increase in effective results generated on a number of advertising orders of Customer E in achieving reactivation results for some of its products for the year ended 31 December 2018, where the average price and average cost per effective reactivation result was generally lower than that for other effective actions; and (ii) our adoption of a competitive pricing strategy (in particular for reactivation results) in order to retain, deepen and expand our relationship with our existing customers and attract new customers in light of the intensified competition in mobile advertising market.

There was an increase in average price and average margin per effective sales for the year ended 31 December 2019, which was mainly attributable to the advertising orders from a new customer (whose ultimate holding company is dual listed on Nasdaq and Main Board with a market capitalisation of approximately HK\$753.7 billion as at 31 July 2020 and is a leading e-commerce company operating an e-commerce platform in the PRC), which offered us a higher margin.

Please refer to the section headed “Business – Key operating information – Key operating data in relation to the advertisements we placed” of this prospectus for more details.

Our customers

Our customers are mostly advertisers from a multitude of industries with advertising needs at the mobile internet media, including leading mobile internet enterprises and mobile app developers. Our key customers during the Track Record Period included pioneering and leading information technology conglomerates of China whose securities are listed on recognised stock exchanges. These customers include members of leading technology or internet companies in the PRC listed on the Main Board and New York Stock Exchange, respectively having a market capitalisation of approximately HK\$5.1 trillion and US\$688 billion, respectively, as at 31 July 2020. The most common products and services advertised by our customers include mobile internet services, mobile utilities, financial services, e-commerce and mobile games. We served 279, 469, 592 and 275 customers (inclusive of advertising agents for end-advertisers) for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. Our top five customers contributed approximately RMB61.5 million, RMB131.7 million, RMB182.3 million and RMB88.1 million, representing approximately 60.0%, 51.7%, 64.6% and 76.5% of our total revenue for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. For the same periods, our largest customer contributed approximately RMB32.3 million, RMB51.8 million, RMB85.2 million and RMB48.0 million, representing approximately 31.5%, 20.3%, 30.2% and 41.7% of our total revenue, respectively.

Our suppliers

Intermediary services

Our ultimate suppliers for intermediary services are media publishers, which we arrange publication of advertisements for our customers at these media publishers either directly in our capacity as their core advertising agents, or through other advertising agents. Advertisement

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placements are normally aimed at maximising their exposures by reaching a wider spectrum of audience. These advertisements are more suitable to be placed at media publishers which are named “Top media”. “Top media” refers to major online media publishers with large and stable traffic, such as popular search engines and news-feed media. Top media requires advertisers to procure the advertisement inventories by acquiring their designed virtual tokens before the advertisements are published. These virtual tokens are utilised along the publication of the advertisements. As part of our mobile advertising services offered to our customers, we pay for our customers in advance on acquiring virtual tokens of the designed media publishers and arrange the bidding of the desired advertisement inventories.

We reached four media publishers for our intermediary services in 2016 and subsequently 41, 45, 30 and 13 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively, among which, some of our major and established media publishers are operated by leading technology or internet companies in the PRC, including companies listed on Nasdaq and the Main Board, in particular (i) Media Publisher C, a platform for the publication of advertisements on various apps including messaging app, social media app, music app and news app; (ii) Media Publisher E, an app that presents customised feeds including news, articles and short videos to the app users; and (iii) Media Publisher F, an app which shares and publishes news and video online covering a wide range of contents. They contributed to our gross revenue for intermediary services in the amount of approximately 1.7%, 16.8%, 70.8% and 74.1% for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

For some of these media publishers, we are recognised as their core advertising agents. In return, we are offered preferential discounts for our purchase and consumption of virtual tokens. They adopted either a progressive discount scheme (pursuant to which an additional discount will be offered to us upon attaining a certain higher level of transaction amount), or offered us with a flat discount rate. As at 31 December 2017, 2018 and 2019 and 30 April 2020, we were recognised as core advertising agents of three, seven, 11 and eight publishers respectively. During the Track Record Period, advertising traffic costs incurred from media publishers after recognising us as their core advertising agents accounted for approximately 25.6%, 43.7%, 64.2% and 80.5% of our total advertising traffic costs for the intermediary services, respectively. We have increasing transaction amounts with existing key media publishers who recognised us as their core advertising agents, even though we ceased business relationships with five media publishers as their core advertising agents upon the expiry of respective supplier agreements as we only had minimal transactions with them. This accounted for the increase in portion of advertising traffic costs incurred from media publishers which recognised us as their core advertising agents during the Track Record Period while we were recognised by less media publishers as core advertising agents over the same period.

For media publishers which do not recognise us as their core advertising agents, we procure the advertisement inventories from such media publishers through their core advertising agents or other advertising agents with access to the advertisement inventories. During the Track Record Period, we were usually offered a flat discount rate for virtual tokens consumed for procurement of advertisement inventories by our suppliers.

Precision advertising services

Our suppliers for the precision advertising services are mostly advertising agents which are responsible for arranging advertisements to be published on various long to medium tailed media. “Long to medium tailed media” refers to medium-sized mobile apps or small-sized media publishers with lower popularity, such as mobile games and e-commerce apps. These media publishers have their own values in the mobile advertising industry supply chain as they have audience of specific interests due to their uniqueness and functionalities. These media publishers are more suitable for our precision advertising services, since they deliver advertisements to specific target audience which would attract attentions and thus trigger results taken by the target audience for our customers.

Our top five suppliers accounted for approximately 46.2%, 30.2%, 35.6% and 47.2% of our cost of services for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. For the same periods, our largest supplier accounted for approximately 17.0%, 12.1%, 13.6% and 25.5% of our cost of services, respectively. For details, please refer to the section headed under “Business – Our suppliers” of this prospectus.

Overlapping of customers and suppliers

Some of our customers are also our suppliers, or vice-versa, and the percentage of gross revenue generated from our overlapped major customers and suppliers to our total revenue

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ranged from approximately 0.0001% to 24.0%, while the range of percentage of total advertising costs ranged from approximately 0.0003% to 23.0% during the Track Record Period. Please refer to the section headed “Business – Our suppliers – Overlapping of customers and suppliers” of this prospectus for more details.

Our historical financial performance

We experienced significant growth in revenue from our mobile advertising services during the Track Record Period. Our revenue was approximately RMB281.9 million for the year ended 31 December 2019, as compared to approximately RMB254.9 million in 2018 and RMB102.6 million in 2017, representing a CAGR of approximately 65.8%. Our profits amounted to RMB30.9 million, RMB42.4 million, RMB38.4 million and RMB24.3 million for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The increase in our revenue were principally driven by (i) the overall increase in market size of mobile advertising market at a CAGR of approximately 61.7% from 2014 to 2019, according to the F&S Report; (ii) the increase in number of our customers and advertisements placed from them during the Track Record Period, whereas we only commenced our business in 2016 and started with a relatively small base of customers and transaction amount, and we subsequently expanded our customer base from 279 customers for the year ended 31 December 2017 to 592 customers for the year ended 31 December 2019. During the Track Record Period, our customers included repeat customers and pioneering and leading mobile internet conglomerates as disclosed in the section headed “Business – Our customers” of this prospectus; (iii) we had become the core advertising agents recognised by an increasing number of media publishers during the Track Record Period, from three as at 31 December 2017 to 11 as at 31 December 2019, which helped build our reputation and attract more customers; and (iv) our ability to capture new business opportunities in the fast growing mobile advertising industry with the increasing number of advertisement placements which we handled of 797, 1,467, 1,601 and 664 during the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

The following table sets out the number of repeat customers with their revenue contribution to our Group (based on gross basis of revenue recognition for both intermediary services and precision advertising services) during the Track Record Period:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April 2020
Number of repeat customers	19	138	204	197
Total gross revenue generated by repeat customers (RMB'000)	49,409	396,933	561,376	324,013
Percentage of gross revenue generated from these customers to our total gross revenue (%)	22.5	64.1	73.9	97.0
Churn rate (%)	24.0	50.5	56.5	66.7
Retention rate (%)	76.0	49.5	43.5	33.3

OUR INDUSTRY

Driven by the increasing number of mobile internet users and usage of digital media, the mobile advertising market in China increased rapidly from RMB37.5 billion to RMB414.9 billion from 2014 to 2019, representing a CAGR of 61.7%, while the mobile advertising agency market in China increased from RMB21.9 billion to RMB154.1 billion from 2014 to 2019, representing a CAGR of 47.7%. Along with the advancement of mobile advertising technology, it is estimated that the mobile advertising market will continue to grow and reach RMB795.4 billion in 2024, representing a CAGR of 13.9%, while the mobile advertising agency market will grow and reach RMB305.4 billion in 2024, representing a CAGR of 14.7%. According to the F&S Report, the prospects of advertising agents in the PRC are favourable, attributable to, among others, a large user base and strong user stickiness and the popularisation of programmatic advertisement buying, which advertising agents can improve efficiency when arranging advertisement placements. Further, the future trends of mobile advertising agency market of the PRC include, among others, increasing adoption of mobile short video and innovative content forms for mobile advertising and integration between context and scenario. It is also predicted that there will be concentration of mobile traffic to certain top media going forward. Please refer to the section headed “Industry overview” of this prospectus for more details.

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Given there are over ten thousands of market players in the mobile advertising market, advertisers have little difficulties to replace their advertising agents and the advertising agents compete with each other based on their service qualities, effectiveness of advertisements, favourability of commercial terms and variety of media publishers offered to the advertisers. Our Directors believe that we are competitive due to (i) our understanding of the customer and the market through the collection and analysis of market data; (ii) quality value-added services during the course of the advertisement placements; (iii) our established business relationships with wide coverage of media publishers and other advertising agents; and (iv) competitive pricing and favourable payment terms we offered to customers.

OUR COMPETITIVE STRENGTHS

We believe our competitive strengths have contributed to our success and differentiated us from our competitors, which include (i) our ability to capture new business opportunities in the growing mobile advertising industry with an established supplier base; (ii) our quality advertising services and developed customer base; (iii) our capabilities of utilising information technology and research and development which assist us in provision of tailor-made services to customers; and (iv) our experienced management team with in-depth industry expertise. For details, please refer to the section headed “Business – Our competitive strengths” of this prospectus.

OUR STRATEGIES

Our goal is to continuously gain the market share in the rapidly expanding mobile advertising agency market in China. We intend to pursue the following strategies to achieve our goal: (i) further expanding our intermediary services through expanding our business scale with certain existing media publishers with track record of popularity and to obtain the status of core advertising agent from media publishers with growth potential as and when appropriate; (ii) developing and expanding our customer base and service offerings; (iii) strengthening our data analytics and information technology capabilities; and (iv) attracting, retaining and developing exceptional employees. For details, please refer to the section headed “Business – Our business strategies” of this prospectus.

RISK FACTORS

Our business and the Share Offer involve certain risks as set out in “Risk factors” of this prospectus. Before you decide to invest in our Shares, you are invited to read that section in its entirety carefully. Some of the major risks we face are summarised as follows: (i) we may fail to compete effectively against other mobile advertising companies under the expected intense market competition, and the strong market positions of our major customers and media publishers may limit our bargaining power with them; (ii) we generate revenues from only one segment of mobile advertising services. If we fail to retain, deepen or expand our relationships with existing suppliers, media publishers and customers, attract new customers, or if our advertisers decide to directly engage media publishers for advertising, our financial condition, results of operations and prospects may be materially and adversely affected; (iii) we may not be able to develop new or enhanced services, or to keep abreast with the technological developments of the mobile advertising industry; (iv) we are subject to risks and uncertainties as we have only operated for a short period of time in a competitive industry, which undermines the evaluation of our business and prospects; (v) we experienced a decrease in the profit margin during the Track Record Period; and (vi) we have to pay for our customers in advance to media publishers (in the form of purchases of virtual tokens) before arranging the bidding of advertisement inventories, and we are exposed to risks with regard to our collection of trade receivables from our customers.

KEY FINANCIAL INFORMATION

SUMMARY OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of the consolidated results of our Group for the periods indicated, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountant’s Report in Appendix I to this prospectus:

SUMMARY

	For the year ended 31 December			For the four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	102,570	254,915	281,934	77,221	115,238
Cost of services	(63,024)	(175,056)	(200,536)	(54,950)	(75,270)
Gross profit	39,546	79,859	81,398	22,271	39,968
Selling and distribution expenses	(507)	(3,171)	(4,051)	(1,072)	(871)
General and administrative expenses	(7,993)	(30,990)	(32,966)	(10,353)	(13,169)
Net impairment losses on financial assets	(80)	(313)	(1,086)	(319)	(323)
Other gains – net	–	–	1,956	139	1,312
Operating profit	30,966	45,385	45,251	10,666	26,917
Finance income	8	29	40	6	16
Finance costs	(114)	(338)	(563)	(463)	(280)
Finance costs – net	(106)	(309)	(523)	(457)	(264)
Profit before income tax	30,860	45,076	44,728	10,209	26,653
Income tax expense	–	(2,690)	(6,294)	(1,398)	(2,377)
Profit for the year/period	30,860	42,386	38,434	8,811	24,276

As disclosed in notes 2.21 and 4(a) to the Accountant's Report in Appendix I to this prospectus, our Group provides mobile advertising services to our customers under two types of services, namely the intermediary services and the precision advertising services, which involves the assessment of revenue recognition on a gross or net basis. Our roles in conducting these two types of services are different, and we face unique business risks thereof during the course of our operations. As such, we recognise our revenue on different basis in accordance with HKFRS 15.

The revenue for our intermediary services is recognised on net basis as we are in substance the agent of our customers in placing advertisements at their instructions due to the following reasons: (i) our customers make the final decisions on which media publishers are used for their advertisements; (ii) the pricing mechanisms we charge our customers and as charged by our suppliers are identical, both of which are either CPC, CPD, CPT or CPM; (iii) our profit margin is bounded by the selection of media publishers by our customers in placing the advertisements; and (iv) we do not subject to any inventory risk as the advertisement inventories acquired upon successful bidding are not owned by us.

The revenue for our precision advertising services is recognised on gross basis as we are in substance transacting effective results to our customers due to the following reasons: (i) we have the autonomy to plan and execute the advertisement placements and determine the supplier(s) in placing the advertisements; (ii) mismatch existed in pricing mechanisms we charge our customers and as charged by our suppliers which may expose us to risk of loss making and it is similar to inventory risk; (iii) we are in a position to seek for a profit margin we consider appropriate through commercial negotiations; and (iv) we are subject to economic loss, if the customers do not agree with the number of effective results.

Please refer to the section headed “Business – Our services – Different recognitions of revenue for our intermediary services and precision advertising services” of this prospectus for details.

The following table sets forth a breakdown of our Group's revenue and gross profit by service types during the Track Record Period:

SUMMARY

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Precision advertising services										
Gross revenue (A)	80,959		210,656		236,086		65,735		92,268	
Advertising traffic costs	(61,472)		(167,674)		(187,327)		(51,771)		(71,881)	
Margin (B)	19,487	24.1	42,982	20.4	48,759	20.7	13,964	21.2	20,387	22.1
Intermediary services										
Gross revenue	139,055		409,020		523,932		147,338		241,924	
Advertising traffic costs	(117,444)		(364,761)		(478,084)		(135,852)		(218,954)	
Net revenue/Margin (C)	21,611	15.5	44,259	10.8	45,848	8.8	11,486	7.8	22,970	9.5
Total revenue (A+C)⁽¹⁾	102,570		254,915		281,934		77,221		115,238	
Other direct costs										
Employee benefit expenses	(647)		(5,272)		(10,291)		(2,411)		(2,344)	
Depreciation and amortisation	(277)		(321)		(1,435)		(353)		(351)	
Others ⁽²⁾	(628)		(1,789)		(1,483)		(415)		(694)	
Subtotal (D)	(1,552)		(7,382)		(13,209)		(3,179)		(3,389)	
Gross profit (B+C-D)	39,546	38.6	79,859	31.3	81,398	28.9	22,271	28.8	39,968	34.7

Notes:

- Total revenue represents the revenue for our precision advertising services under gross basis and the revenue for our intermediary services under net basis.
- Others mainly consisted of entertainment expenses, office expenses, short-term lease expenses and travelling expenses.

Our revenue

Our revenue increased significantly from approximately RMB102.6 million for the year ended 31 December 2017 to approximately RMB254.9 million for the year ended 31 December 2018, representing a growth of approximately 148.5%, and further increased to approximately RMB281.9 million for the year ended 31 December 2019, representing a growth of approximately 10.6%. Such increase was mainly due to the significant increase in the number of our customers during the Track Record Period, leading to the increase in revenue generated from our precision advertising services and net revenue generated from our intermediary services. Our revenue increased from approximately RMB77.2 million for the four months ended 30 April 2019 to RMB115.2 million for the four months ended 30 April 2020, representing an increase of approximately 49.2%. We had 260, 331, 388 and 78 new customers for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. Please refer to the section headed “Financial information – Principal components of consolidated statements of comprehensive income – Revenue” of this prospectus for further details on our revenue by service types.

The major types of advertisers’ products and services covered by our mobile advertising services include mobile internet services, mobile utilities, financial services, e-commerce and mobiles games. The following tables set out the total revenue by product type during the Track Record Period:

Gross revenue for both intermediary services and precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mobile internet services	127,519	58.0	327,736	52.9	388,072	51.0	97,170	45.6	184,510	55.2
Mobile utilities	56,820	25.8	174,585	28.2	142,768	18.8	48,094	22.6	62,871	18.8

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	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Financial services	23,162	10.5	85,694	13.8	106,120	14.0	21,129	9.9	37,632	11.3
Mobile games	9,285	4.2	18,757	3.0	14,274	1.9	899	0.4	17,405	5.2
E-commerce	3,228	1.5	12,904	2.1	108,784	14.3	45,781	21.5	31,774	9.5
Total	220,014	100.0	619,676	100.0	760,018	100.0	213,073	100.0	334,192	100.0

Revenue recognised on the net basis for intermediary services and gross basis for precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mobile internet services	34,930	34.0	91,212	35.8	104,171	37.0	32,917	42.6	23,222	20.2
Mobile utilities	54,750	53.4	100,937	39.6	72,504	25.7	20,325	26.3	45,711	39.7
Financial services	2,958	2.9	43,975	17.2	84,095	29.8	18,741	24.3	36,306	31.5
Mobile games	8,370	8.2	12,453	4.9	2,389	0.8	390	0.5	1,563	1.4
E-commerce	1,562	1.5	6,338	2.5	18,775	6.7	4,848	6.3	8,436	7.2
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

Our gross profit

Our gross profit increased from approximately RMB39.5 million for the year ended 31 December 2017 to RMB79.9 million for the year ended 31 December 2018 and to RMB81.4 million for the year ended 31 December 2019. For the four months ended 30 April 2020, our gross profit was approximately RMB40.0 million, compared to that of RMB22.3 million for the corresponding period in 2019. The increase in gross profit is in line with the increase in our revenue of both precision advertising services and intermediary services.

Squeezing profit margins

However, we recorded a drop in gross profit margin from approximately 38.6% for the year ended 31 December 2017 to 31.3% for the year ended 31 December 2018 and 28.9% for the year ended 31 December 2019. The decrease in gross profit margin was mainly caused by the decrease in gross profit margin for our intermediary services. As part of our business strategy, we aim to develop and maintain an established supplier base with a mix of media publishers. With the development of our business and the strengthening of financial positions with profits over time, we had broadened our mix of media publishers and were competitive enough to expand our business with the first-tier media publishers, whose margins generated from advertisements placed are generally lower as they usually offer lower discounts to mobile advertising companies. With the increased portion in business with these media publishers during the years ended 31 December 2018 and 2019, our margin from the intermediary services decreased accordingly. For the four months ended 30 April 2020, our gross profit margin was approximately 34.7%, compared to that of approximately 28.8% for the corresponding period in 2019. We aim to continue to expand our intermediary services in order to enhance our profitability. We also believe that by developing and maintaining a balanced mix of media publishers, we can offer our customers with more options of media publishers which would in turn allow us to promote our revenue growth and further enhance our market share and profitability in the long run, and at the same time, we are able to mitigate our business risks should there be a decline in popularity of media publishers of any tiers, as well as the changing market trends and tastes of audience. Please refer to the section headed “Financial information – Principal components of consolidated statements of comprehensive income” of this prospectus for further details in respect of the details on our financial performance.

NON-HKFRS MEASURES

To supplement our consolidated financial information which are presented in accordance with HKFRSs, we also use a non-HKFRS measures, adjusted net profit, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measures facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our

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management considers non-indicative of our operating performance. We define adjusted net profit by adding back listing expenses and share-based payment expenses to profit for the year/period. During the Track Record Period, our listing expenses referred to expenses we incurred in connection with the Share Offer, while our share-based payment expenses referred to the expenses arising from the Pre-IPO Investments. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help the management of our business.

The following table reconciles our adjusted net profit presented to the most directly comparable financial measures calculated and presented in accordance with HKFRSs:

	For the year ended 31 December			For the four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period	30,860	42,386	38,434	8,811	24,276
Add:					
Listing expenses	–	8,033	11,084	3,241	4,036
Share-based payment expenses	–	3,430	1,430	1,430	–
Adjusted net profit	30,860	53,849	50,948	13,482	28,312

Despite that we recorded an increase in gross profit (from approximately RMB79.9 million to RMB81.4 million) for the year ended 31 December 2019, there was a decrease in our adjusted net profit by approximately RMB2.9 million for the year ended 31 December 2019. Such decrease was mainly due to (i) an increase in employee benefit expenses resulting from the increase in the number of our employees; (ii) an increase in depreciation resulting from the relocation of office premises in 2019; and (iii) an increase in the income tax expense.

For the three years ended 31 December 2019, our income tax expense amounted to nil, approximately RMB2.7 million and RMB6.3 million, respectively, whereas the effective tax rate of our Group for the same periods was nil, approximately 6.0% and 14.1%, respectively. The increase in the effective tax rate were mainly attributable to (i) the discontinuation of preferential tax treatments for Shenzhen Bright Future and Shenzhen Lindu, both of which have been granted software enterprise status and were entitled to enjoy an income tax exemption for two years beginning from the first profitable year but only a 50% reduction for the subsequent three years; and (ii) more assessable profit was generated from Huzhou Bright Future which had an income tax rate of 25% during the year ended 31 December 2019. For the four months ended 30 April 2020, our income tax expense amounted to approximately RMB2.4 million, whereas the effective tax rate of our Group was approximately 8.9%. The decrease in the effective tax rate was mainly attributable to the software enterprise status first granted to Huzhou Bright Future in 2020 which allowed it to enjoy preferential tax treatments starting in 2020 if Huzhou Bright Future is profitable in 2020. The discontinuation of any preferential tax treatments may increase our income tax expense and therefore adversely affects our results of operation and financial condition. For details, please refer to the section headed “Risk factors – Risks relating to our business and industry – Discontinuation of any preferential tax treatments available to us in China could adversely affect our results of operations and financial condition.”.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
Non-current assets	1,901	3,251	7,832	7,058
Current assets	84,659	245,223	329,744	374,191
Non-current liabilities	4,672	4,425	2,537	1,954
Current liabilities	45,735	161,150	206,205	226,136
Net current assets	38,924	84,073	123,539	148,055
Net assets	36,153	82,899	128,834	153,159

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Our net current assets increased from approximately RMB38.9 million as at 31 December 2017 to approximately RMB84.1 million as at 31 December 2018, and further increased to approximately RMB123.5 million and RMB148.1 million as at 31 December 2019 and 30 April 2020, respectively. It was primarily due to the increases in trade receivables and deposits, prepayments and other receivables which were partly offset by the increases in trade payables and other payables and accruals. Our net assets increased from approximately RMB36.2 million as at 31 December 2017 to approximately RMB82.9 million as at 31 December 2018, and further to approximately RMB128.8 million and RMB153.2 million as at 31 December 2019 and 30 April 2020, respectively. It was mainly due to the increase in our current assets as mentioned above. All such increases were mainly due to our expansion in the business scale during the Track Record Period. Please refer to section headed “Financial information – Discussion of certain key consolidated statements of financial position” of this prospectus for details.

SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Cash flows from operating activities</i>				
Operating cash flow before changes in working capital	31,794	50,154	50,381	27,827
Changes in working capital	(28,683)	(50,625)	(59,732)	(42,505)
Interest received	8	29	40	16
Income taxes paid	–	(202)	(2,897)	(435)
Net cash generated from/(used in) operating activities	3,119	(644)	(12,208)	(15,097)
Net cash used in investing activities	(420)	(234)	(1,404)	(20)
Net cash generated from financing activities	5,017	4,097	25,139	3,880
Net increase/(decrease) in cash and cash equivalents	7,716	3,219	11,527	(11,237)
Cash and cash equivalents as at beginning of year	1,279	8,995	12,182	23,805
Effect of exchange rate changes	–	(32)	96	1
Cash and cash equivalents as at end of year/period	8,995	12,182	23,805	12,569

The net cash generated from operating activities for the year ended 31 December 2017 was mainly due to the significant increase in our revenue and our profit before income tax during the year ended 31 December 2017. For the year ended 31 December 2018, the net cash used in operating activities was primarily due to the listing expenses incurred. For the year ended 31 December 2019, we recorded a net cash used in operating activities, which was mainly due to increase in our trade receivables mainly attributable to (i) increase in gross revenue along with our business expansion; (ii) slower settlements of trade receivables from our customers; and (iii) our trade receivables turnover days increased from 64.2 days for the year ended 31 December 2018 to 92.6 days for the year ended 31 December 2019. For the four months ended 30 April 2020, the net cash used in operating activities was mainly due to the increase in our trade receivables as a result of our expansion in the business scale.

LIQUIDITY AND CAPITAL STRUCTURE

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally through funds generated internally, loans from our Shareholders and Directors and capital contribution of Shareholders. We obtained our first bank loan in December 2019. We entered into three business factoring agreements to transfer our trade receivables to a commercial bank in the PRC. We recorded negative operating cash flow for the year ended 31 December 2018, 31 December 2019 and the four months ended 30 April 2020. In order to manage our cash flow position going forward, we have adopted monitoring policies and procedures to manage our capital and liquidity position, including, conducting (i) credit assessments on our new customers; (ii) regular reviews on the credibility of our customers; (iii) monthly reviews on the aging of our trade receivables; and (iv) follow-up actions on overdue trade receivables. Please refer to the section headed “Financial information – Liquidity and capital structure” of this prospectus for more details in respect of our capital and liquidity management policies.

SUMMARY

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			As at/for the four months ended 30 April
	2017	2018	2019	2020
Gross profit margin	38.6%	31.3%	28.9%	34.7%
Net profit margin	30.1%	16.6%	13.6%	21.1%
Adjusted net profit margin (Non-HKFRS measure)	30.1%	21.1%	18.1%	24.6%
Prepayment turnover ratio	14.0 times	9.5 times	7.8 times	10.9 times
Current ratio	1.9 times	1.5 times	1.6 times	1.7 times
Return on equity	85.4%	51.1%	29.8%	47.9%
Return on total assets	35.7%	17.1%	11.4%	19.3%
Gross debt to equity ratio	14.1%	13.0%	27.1%	25.4%
Net (cash)/debt to equity ratio	(10.8%)	(1.6%)	8.4%	17.0%

We experienced a decrease in gross profit margin during the three years ended 31 December 2019, which was mainly due to our broadening mix of media publishers and expansion of our intermediary services business with the first-tier media publishers during the respective years, whose margins generated from advertisements placed were generally lower. The decrease in adjusted net profit margin (Non-HKFRS measure) was mainly due to the increases in employee benefit expenses, depreciation and amortisation and income tax expense along with our business expansion. The decrease in net profit margin was mainly due to the incurrence of one-off share-based payment expenses and listing expenses recorded during the years ended 31 December 2018 and 2019.

The decreases in return on equity and return on total assets for the three years ended 31 December 2019 were mainly attributable to the increase in asset and equity base of our Group as a result of our profits generated over the years. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the increases in gross debt to equity ratio and net (cash)/debt to equity ratio were mainly due to the increases in bank borrowings and Shareholders' loans in order to finance our expanding operations.

Please refer to the section headed "Financial information" of this prospectus for more details in respect of our key financial information data.

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders, Mr. Dong and Mr. Yang, are a group of individuals acting in concert with each other through their holding entities, namely Brilliant League and Highland Triumph respectively. Immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, Mr. Dong, Mr. Yang, Brilliant League and Highland Triumph will be a group of Controlling Shareholders collectively and beneficially interested in aggregate approximately 72.8% of our issued share capital.

OUR PRE-IPO INVESTORS

For the benefits of our long term business development and expansion of our Group, we introduced Mr. Zhu (together with City Energy) as our strategic investor. Mr. Zhu has more than 16 years of experience in corporate finance, investment and management, and is currently the director of Goldlink Capital, which holds a licence to carry on type 6 regulated activity as defined in the SFO. Through a common business acquaintance, Mr. Zhu acquainted with Mr. Dong and Mr. Yang in or around June 2018 and commenced the discussion about the listing plan of our Group. With the licensed qualification of Goldlink Capital and the experiences of key personnel involved, our Group engaged Goldlink Capital as the financial adviser in relation to the Listing. We have also entered into a consultancy service agreement with Goldlink Huize for provision of consultancy services on its operation and financing. City Energy (which is wholly-owned by Mr. Zhu) will be interested in approximately 2.21% of the issued Share capital upon completion of the Share Offer, and is subject to a lock-up period of six months commencing from the Listing Date. The aggregate amount of total investment pursuant to the Pre-IPO Investments was approximately HK\$7.7 million (inclusive of the amount of approximately HK\$0.35 million paid to Mr. Yang), and the gross proceeds received by our Group being approximately HK\$7.4 million. The Pre-IPO Investments were conducted in two tranches, being: (i) the acquisition of 1% equity interest in Huzhou Bright Future from Mr.

SUMMARY

Yang in November 2018 in a small investment amount of approximately RMB0.3 million, representing a valuation of our Group of approximately RMB30.0 million (with reference to the net asset value of Huzhou Bright Future and its subsidiaries as at November 2018 as assessed by an independent third-party valuer); and (ii) the subscription of the then 2% equity interest of our Company in February 2019 at a consideration of HK\$7.0 million, based on an agreed price-to-earnings ratio of our Group as calculated based on preliminary financial information available by that time. The shareholder's loan of HK\$0.35 million advanced by Mr. Zhu via City Energy in November 2018 also counts toward the total investment amount of the Pre-IPO Investments. The two tranches of investments, together with the capitalised shareholders' loan, were regarded as the Pre-IPO investments as a whole. Please refer to the section headed "History, reorganisation and corporate structure – Pre-IPO Investments" of this prospectus for further details of the Pre-IPO Investments. Please also refer to the section headed "Financial information – Principal components of consolidated statements of comprehensive income – General and administrative expenses" of this prospectus for details on the share-based payment expenses arising from the Pre-IPO Investments.

OFFERING STATISTICS

The statistics set forth in the table below are based on the assumptions that (i) the Share Offer has been completed and 125,000,000 Shares are issued accordingly, and (ii) the Over-allotment Option is not exercised.

	Based on the Offer Price of HK\$1.0 per Offer Share	Based on the Offer Price of HK\$1.1 per Offer Share
Market Capitalisation immediately after the Share Offer	HK\$500,000,000	HK\$550,000,000
Unaudited pro forma adjusted net tangible assets per Share (<i>Note</i>)	HK\$0.54	HK\$0.56

Note: The unaudited pro forma adjusted net tangible assets per Share was calculated after adjustments as specified in "Appendix II – Unaudited Pro Forma Financial Information" to this prospectus.

LISTING EXPENSES

The listing expenses in connection with the Share Offer, which consist primarily of underwriting commission and other expenses assuming an Offer Price of HK\$1.05 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.0 to HK\$1.1 per Offer Share, are estimated to be approximately HK\$51.0 million (equivalent to approximately RMB46.4 million), representing approximately 38.9% of our gross proceeds from the Share Offer, of which approximately HK\$8.8 million (equivalent to approximately RMB8.0 million), HK\$12.2 million (equivalent to approximately RMB11.1 million) and HK\$4.4 million (equivalent to approximately RMB4.0 million) were charged to the consolidated statement of comprehensive income for the two years ended 31 December 2019 and the four months ended 30 April 2020, respectively. We expect the remaining listing expenses of approximately HK\$3.9 million (equivalent to approximately RMB3.6 million) will be charged to the consolidated statement of comprehensive income after the Track Record Period, and approximately HK\$21.7 million (equivalent to approximately RMB19.7 million) will be capitalised upon completion of the Share Offer.

In addition, there will be an expected increase in administrative expenses for the year ending 31 December 2020 arising from (i) the increase in remuneration of our Directors; (ii) the appointment of the new independent non-executive Directors; and (iii) professional parties prior to and after the Listing. Despite the aforesaid, our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business.

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USE OF PROCEEDS

We will apply the net proceeds from the Share Offer of approximately HK\$80.3 million (equivalent to approximately RMB73.1 million) for the purposes and in the amounts set out below (assuming the Offer Price is fixed at HK\$1.05 per Share, being the mid-point of the Offer Price range stated in this prospectus):

Approximate amount of net proceeds	Intended application
HK\$52.1 million or 64.9%	Expansion of our intermediary services
HK\$17.1 million or 21.3%	Expansion of our marketing, customer services and design teams
HK\$8.4 million or 10.5%	Enhancing our information technology and DMP systems
HK\$2.7 million or 3.3%	General working capital

Please refer to the section headed “Future plans and use of proceeds” of this prospectus for more details on the rationales of the expansion plans and the implementation plans.

DIVIDENDS

We currently do not have a pre-determined dividend policy or a fixed dividend payout ratio. During the Track Record Period, we did not declare or pay any dividends to our Shareholders. Our Board has full discretion as to whether to recommend dividends. In addition, our Shareholders may in a general meeting declare dividends, provided that no dividends shall exceed the amount recommended by our Directors. In either case, in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if dividends is recommended, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board.

RECENT DEVELOPMENTS

Since early 2020, COVID-19 has been rapidly spreading throughout China and the globe. Several cities in China have imposed travel restrictions in an effort to curb the spread of the virus. We consider that the outbreak of COVID-19 does not negatively affect our business operations in material aspects, as our business processes are mostly conducted in electronic means. We adopted a work-from-home policy which allowed our staff to report their duties at home. They were able to remotely access our key computer systems and our DMP to carry out their daily business activities. Moreover, as the publication of advertisements is normally conducted online (for example, through the advertising placement systems of the media publishers), we neither encountered any material supply chain disruptions, nor experienced difficulties on discharging our obligations under our existing advertising orders. During the six months ended 30 June 2020, we handled the placements of 532 and 285 advertisements for our intermediary services and precision advertising services, whereas we handled that of 620 and 330 for the six months ended 30 June 2019, respectively.

Our daily business operations had fully resumed in March 2020 and all our staff had reported their duties at our office premises. As a precautionary measure to cater with the outbreak of COVID-19, our staff is provided with protective masks and alcohol-based handrub at work. We also arrange regular sanitisations at our office premises. While the extent to which the outbreak of COVID-19 will affect our operations cannot be predicted at this stage, we have not experienced and do not expect significant financial damage or impact to our long-term commercial prospect. However, there is no assurance that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations. For details, please refer to the section headed “Risk Factors – We face risks related to natural disasters and health epidemics” of this prospectus.

SUMMARY

Our Group has conducted a projection assuming the extreme and unlikely event that, under the worst case scenario, the business operations of our Group are completely suspended on a temporary basis and no additional revenue is recorded. Based on (i) our major components of net current assets as at 30 April 2020, (ii) monthly fixed costs (including employee benefit expenses assuming there is no redundant or pay cut to current staff), and (iii) in the absence of any existing and future borrowings, our Directors believe that we will have sufficient working capital for our business and remain financially viable for at least the next 12 months from the date of this prospectus, even without any proceeds from the Share Offer.

In the event that all the assumptions mentioned above remain unchanged, together with the portion of the net proceeds from the Share Offer applied for other working capital and general corporate purposes and taking in account prudent estimates of settlement of trade receivables, we will remain financially viable for at least the next 12 months from the date of this prospectus.

Based on our preliminary review on our Group's operation during the six months ended 30 June 2020, there have been no material adverse impact on our business operation and financial performance notwithstanding that the recent outbreak of COVID-19 had disrupted the overall economic activities in the PRC temporarily. For the six months ended 30 June 2020 as compared to the corresponding period in 2019: (i) our unaudited average monthly gross revenue for the precision advertising services was higher, while the margin (in terms of %) for our precision advertising services remained stable; and (ii) our unaudited average monthly gross revenue for the intermediary services was higher, while there was no adverse change in margin (in terms of %). The increase in unaudited average monthly gross revenue for our precision advertising services and intermediary services was primarily due to the expansion in the business scale. The following table sets out the key operating data of our Group for the six months ended 30 June 2019 and 2020.

	For the six months ended 30 June		
	2019	2020	Change
<i>Intermediary services</i>			
Total virtual tokens consumed (millions)	349.7	475.1	+35.9%
<i>Precision advertising services (Note)</i>			
Total effective actions confirmed by our customers charged based on CPA (millions)	45.7	70.1	+53.4%
Total effective sales generated to our customers charged based on CPS (RMB'000)	8,520.4	681.9	-92.0%

Note: Revenue generated from advertisements charged based on CPA represented over 95% of total revenue generated from precision advertising services for the six months ended 30 June 2019 and 2020.

For the year ended 31 December 2018, 31 December 2019 and the four months ended 30 April 2020, we recorded negative operating cash flow resulting from increase in our trade receivables. In order to manage our cash flow position going forward, we will continue to adopt policies and procedures to monitor our capital and liquidity position, including among others, conducting (i) credit assessments on our new customers; (ii) regular reviews on the credibility of our customers; (iii) monthly reviews on the aging of our trade receivables; and (iv) follow-up actions on overdue trade receivables. With the implementation of our business expansion plans, in particular in expanding our intermediary services, we expect that the growth of gross revenue of our intermediary services will cause further increase in our trade receivables. As such, we expect to record negative operating cash flow for the year ending 31 December 2020.

Based on the above, our Directors believe that there have been no material adverse changes to our financial, operational or trading positions or prospects since 30 April 2020, being the end date of our reporting period as set out the Accountant's Report in Appendix I to this prospectus, and up to the date of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of technical terms” of this prospectus:

“Application Form(s)”	the WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 16 October 2020 which shall take effect on the Listing Date, as amended or supplemented 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 our Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Brilliant League”	BRILLIANT LEAGUE LIMITED, a company incorporated in the British Virgin Islands with limited liability on 25 April 2018, which is wholly-owned by Mr. Dong
“Business Day” or “business days”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 374,204,400 Shares to be made upon the completion of capitalisation of the amount standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and general information – A. Further information about our Company – 3. Written resolutions of the Shareholders of our Company passed on 16 October 2020” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s), who may be an individual, joint individual(s) or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“Chairman”	chairman of our Board
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Circular 37”	Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control of Overseas Investment and Financing and Round-tripping Investment made 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 the SAFE on 4 July 2014 and effective from the same day
“City Energy”	City Energy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 19 October 2004, which is wholly-owned by Mr. Zhu, a pre-IPO investor under the Pre-IPO Investments
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law, as amended, supplemented or otherwise modified from time to time, of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Bright Future Technology Holdings Limited (輝煌明天科技控股有限公司) (formerly known as “Bright Future Science Holdings Limited”), an exempted company incorporated in the Cayman Islands with limited liability on 8 November 2018
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Dong, Mr. Yang, Brilliant League and Highland Triumph, who will control the exercise of an aggregate of 72.8% voting rights in the general meeting of our Company immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme)
“Core Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	the coronavirus disease 2019
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the securities markets in PRC

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“Deed of Indemnity”	the deed of indemnity dated 16 October 2020 entered into by Mr. Dong, Mr. Yang, Ms. Gao, Brilliant League and Highland Triumph in favour of our Company (for itself and as trustee for its subsidiaries as stated therein) regarding certain indemnities, particulars of which are set out in the section headed “Statutory and general information – D. Other information – 2. Taxation and other indemnities” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company
“Dragon Hero”	Dragon Hero Corporation Limited (英龍有限公司), a company incorporated in Hong Kong with limited liability on 28 September 2018, an indirect wholly-owned subsidiary of our Company
“EIT Law”	The PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) promulgated on 16 March 2007, amended on 24 February 2017 and 29 December 2018 (the latest amendment was implemented from 29 December 2018), as amended, supplemented or otherwise modified from time to time
“Eligible Applicants”	applicants who have made valid applications for the Public Offer Shares
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Fong De”	FONG DE LIMITED (芳德有限公司), a company incorporated in the British Virgin Islands with limited liability on 9 October 2018, a direct wholly-owned subsidiary of our Company
“F&S” or “Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry consultant
“F&S Report”	the market research report prepared by F&S and commissioned by us
“Goldlink Capital”	Goldlink Capital (Corporate Finance) Limited, a company incorporated in Hong Kong with limited liability on 27 March 2017, which holds a licence to carry on type 6 regulated activity as defined in the SFO and is indirectly wholly-owned by China Goldlink Capital Group Limited which Mr. Zhu and City Energy are shareholders as at the Latest Practicable Date. Mr. Zhu is the director and the responsible officer of Goldlink Capital as at the Latest Practicable Date

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“Goldlink Huize”	Goldlink Huize Information Consultation (Shenzhen) Company Limited* (金聯惠澤信息諮詢(深圳)有限公司), a company established in the PRC on 29 March 2017. It is directly wholly-owned by China Goldlink Capital Group Limited which Mr. Zhu and City Energy are shareholders as at the Latest Practicable Date. Mr. Zhu is a director and legal representative of Goldlink Huize as at the Latest Practicable Date
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires with respect of the period before our Company became the holding company of our existing subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time
“Guidance for Boards and Directors”	the Guidance for Boards and Directors issued by the Stock Exchange in July 2018
“Highland Triumph”	HIGHLAND TRIUMPH LIMITED, a company incorporated in the British Virgin Islands with limited liability on 28 May 2018, which is wholly-owned by Mr. Yang
“ HK eIPO White Form(s) ”	the application of Public Offer Shares for issue in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk or the IPO App
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk or the IPO App
“HKFRSs”	Hong Kong Financial Reporting Standards promulgated by HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

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“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong dollars” or “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Huzhou Bright Future”	Huzhou Bright Future Technology Company Limited* (湖州輝煌明天科技有限公司), a company established in the PRC on 25 October 2018, which is an indirect wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	party(ies) who, as far as our Directors and Substantial Shareholders are aware, is/are not connected with any Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or any of their respective associates within the meaning of the Listing Rules
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play Store or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners” or “Joint Lead Managers”	SPDB International Capital Limited, Alpha International Securities (HONG KONG) Limited and Orient Securities (Hong Kong) Limited
“Joint Global Coordinators”	SPDB International Capital Limited and Alpha International Securities (HONG KONG) Limited
“Khorgas Velocity Network”	Khorgas Velocity Network Technology Company Limited* (霍爾果斯光速網絡科技有限公司), a company established in the PRC on 12 September 2017, which is an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	21 October 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange

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“Listing Date”	the date, expected to be on or about Wednesday, 11 November 2020, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“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 memorandum of association of our Company conditionally adopted on 16 October 2020 which shall take effect on the Listing Date, as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC
“Mr. Cen”	Mr. Cen Senhui (岑森輝), our executive Director and the chief operating officer
“Mr. Dong”	Mr. Dong Hui (董暉), our executive Director, Controlling Shareholder, Chairman, the chief executive officer and spouse of Ms. Gao
“Mr. Yang”	Mr. Yang Dengfeng (楊登峰), our executive Director, Controlling Shareholder and the chief technology officer
“Mr. Zhu”	Mr. Zhu Jun (朱軍), a pre-IPO investor under the Pre-IPO Investments
“Ms. Gao”	Ms. Gao Yuqing (高雨晴), our executive Director and spouse of Mr. Dong

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“Nasdaq”	the National Association of Securities Dealers Automated Quotations Stock Market
“NDRC”	the 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)
“NEEQ”	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.1 and not less than HK\$1.0 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, such price fixed at or before the Price Determination Date
“Offer Price Range”	HK\$1.0 to HK\$1.1 per Offer Share
“Offer Share(s)”	the Public Offer Shares and the Placing Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to allot and issue up to an aggregate of 18,750,000 additional new Shares at the Offer Price, representing 15% of the initial number of Offer Shares offered under the Share Offer, details of which are described in the section headed “Structure of the Share Offer” of this prospectus
“person”	any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity
“Placing”	the offer of Placing Shares at the Offer Price

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“Placing Shares”	the 112,500,000 Shares being initially offered by our Company at the Offer Price together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, and subject to reallocation
“Placing Underwriters”	the group of underwriters for the Placing
“Placing Underwriting Agreement”	the placing underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting – Placing” in this prospectus
“PRC government”	the government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Dentons, a qualified PRC law firm as the PRC legal advisers to our Company for the application for the Listing
“Pre-IPO Investments”	investments by Mr. Zhu and City Energy, to Huzhou Bright Future and our Company, respectively, prior to the Listing, particulars of which are disclosed in the section headed “History, Reorganisation and Corporate Structure – Pre-IPO Investments” of this prospectus
“Price Determination Date”	the date, which is expected to be on or around Monday, 2 November 2020 but no later than Friday, 6 November 2020, on which the Offer Price will be determined for the purpose of the Share Offer
“Public Offer”	the offer by our Company of the Public Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in the section headed “Structure of the Share Offer” of this prospectus

DEFINITIONS

“Public Offer Shares”	12,500,000 new Shares being initially offered by our Company for subscription pursuant to the Public Offer as described in the section headed “Structure of the Share Offer” of this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose name are set out in the section headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 27 October 2020 and entered into between, among others, our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in relation to the underwriting of the Public Offer Shares, further details of which are set out in the section headed “Underwriting – Underwriting Arrangements and Expenses” of this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” of this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by our Shareholders, further details of which are contained in the section headed “Statutory and general information – A. Further information about our Company – 3. Written resolutions of the Shareholders of our Company passed on 16 October 2020” in Appendix IV of this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAIC”	the State Administration for Market Regulation of the PRC (國家市場監督管理總局) or its predecessor, the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局)

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“SAT”	the State Administration of Taxation of the PRC (國家稅務總局)
“SCNPC”	The Standing Committee of National People’s Congress of the PRC (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of our Company
“Share Offer”	Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 16 October 2020, the principal terms of which are set out in the section headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix IV of this prospectus
“Share Subscription Agreement”	the subscription agreement entered into between our Company and City Energy on 12 February 2019, pursuant to which our Company agreed to issue and allot and City Energy agreed to subscribe 200 US\$ Shares at a consideration of HK\$7,000,000 pursuant to the terms and conditions of such agreement
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Aissuer Group”	a group of companies established in the PRC which consist of Shenzhen Aissuer Information Technology Co., Ltd.*/Dongguan Jingrui Network Technology Co., Ltd.*/Shenzhen Yichuan Information Technology Co. Ltd.* (深圳市艾數信息技術有限公司/東莞市精睿網絡科技有限公司/深圳市易傳信息科技有限公司). They are one of our top suppliers

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“Shenzhen Bright Future”	Shenzhen Bright Future Technology Company Limited* (深圳輝煌明天科技有限公司), a company established in the PRC on 28 December 2015, which is an indirect wholly-owned subsidiary of our Company
“Shenzhen Bright Future Beijing Branch”	Shenzhen Bright Future Technology Company Limited Beijing Branch Company* (深圳輝煌明天科技有限公司北京分公司), a branch company established by Shenzhen Bright Future in the PRC on 5 April 2017
“Shenzhen Lindu”	Shenzhen Lindu Technology Company Limited* (深圳鄰度科技有限公司), a company established in the PRC on 19 September 2014, which is an indirect wholly-owned subsidiary of our Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Sole Sponsor”	Messis Capital Limited, a corporation licensed under the SFO to carry on types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities as defined in the SFO, being the sole sponsor of the Listing
“Stabilising Manager”	Alpha International Securities (HONG KONG) Limited
“State Council”	The State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and, for the purpose of this prospectus, refers to those individuals and corporations disclosed under the section headed “Substantial Shareholders” of this prospectus or, where the context so requires, any one of them
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemented or otherwise modified from time to time
“Tencent”	Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 700)

DEFINITIONS

“Track Record Period”	the three financial years of our Group ended 31 December 2017, 2018 and 2019, and the four months ended 30 April 2020
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“US\$ Shares”	ordinary share(s) of US\$1.0 each in the share capital of our Company, which was subsequently re-denominated on 8 April 2019
“ WHITE Application Form(s)”	the form(s) of application for the Offer Shares for use by the public who require such Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the form(s) of application for the Offer Shares for use by the public who require such Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent.

The English names of the PRC established companies or entities and the PRC laws and regulations mentioned in this prospectus are translation from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

* For identification purposes only

GLOSSARY OF TECHNICAL TERMS

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

“advertisement inventory(ies)”	traffic available on online media publishers for advertising
“advertiser(s)”	any persons, companies, organisations which advertise their brands, products (or services) through the placing of mobile advertisements, e.g. brand owners, advertising agents, mobile app developers and as the original initiators of the whole value chain for mobile advertising
“advertising”	any communication, usually paid-for, with the intention of bringing a product (or service) to the attention of potential and current customers
“advertising agent(s)”	in the context of the mobile advertising agency market in China, the mobile advertising company(ies) providing mobile advertising services to advertisers and/or other mobile advertising companies
“advertising traffic cost(s)”	the cost of having an advertisement shown on the media publishers based on various pricing mechanisms, either payable to the media publishers directly or to the advertising agents
“algorithm(s)”	a set of well-defined instructions in sequence to solve the problem in programming
“API”	a set of routines, protocols, and tools for building software applications
“app(s)” or “mobile app(s)” or “mobile applications”	application software designed to operate on smartphones and other mobile devices
“app store”	digital distribution platform for app and computer software
“average charged rate”	in the context of the intermediary services, the average advertising fee we charged our customers for each click or download for advertisements placed on media publishers

GLOSSARY OF TECHNICAL TERMS

“big data analysis”	the use of advanced analytic techniques and computer software against large and diverse data sets and data to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information for formulating business decisions
“CAGR”	compound annual growth rate
“conversion rate”	the ratio of mobile device users who take a desired action by the advertiser to the total number of mobile users who viewed or clicked the advertisement
“core advertising agent(s)”	a status recognised by media publisher which offer advertisement inventories, indicating the close business relationship between the media publisher and the advertising agent in relation to the purchase of advertisement inventories. The status is usually obtained through, among other requirements, reaching a certain level of transaction amounts with the media publisher within a prescribed period of time. Obtaining such status usually allows the advertising agent to directly deal with the media publisher
“CPA”	cost per action, a pricing mechanism where advertising is paid on the basis of each action of the mobile device user. Such actions normally require higher degree of personal involvements from the audience, through experiencing or using the advertised products by activating or reactivating the products or registering as the users of the products
“CPC”	cost per click, a pricing mechanism where advertising is paid on the basis of each click of the advertisement
“CPD”	cost per download, a pricing mechanism where advertising is paid on the basis of each download
“CPM”	cost per mille, a pricing mechanism where advertising is paid on the basis of thousand impressions
“CPS”	cost per sale, a pricing mechanism whereby advertising is paid on the basis of increased sale amount as a result of the advertising

GLOSSARY OF TECHNICAL TERMS

“CPT”	cost per time, a pricing mechanism whereby advertising is paid according to the duration of its placement rather than for a set number of times
“data mining”	a process used to extract a large set of usable data from the raw data, and to analyse data patterns
“DMP(s)” or “Data Management Platform(s)”	a platform with built-in computer software, tools and systems which allow for the use of algorithms to selectively extract non-confidential information from the public domain and to analyse the information and group or classify the information in a useful way
“DSP(s)” or “demand-side platform(s)”	a system whereby advertisers are allowed to manage their bids for the advertisement inventories and the budget for the data that they are layering on to target audience
“effective result(s)”	in the context of the precision advertising services, the number of actions recognised by our customers as valid by deducting the number of false or spurious actions taken, such as repeated downloads to the mobile device and the total effective sales generated to our customers
“ERP” or “enterprise resource planning”	a business process management software which enables an organisation to utilise a system of integrated applications to manage the business and automate many back office functions related to finance, technology services and human resources
“first-tier media publisher(s)”	top media which has significant traffic with MAU (monthly active users) over 1 billion
“impression(s)”	page view of advertisement pages
“long to medium tailed media”	medium-sized mobile apps or small-sized media publishers that do not have their own advertising placement systems such as games and e-commerce apps
“mobile brand-based advertising”	a mode of pricing for mobile advertising market, with the target to establish the brand identity in the mind of the audience or consumers

GLOSSARY OF TECHNICAL TERMS

“mobile native advertising”	a mode of display for mobile advertising market that matches the form and function of the platform upon which it appears
“mobile non-native advertising”	a mode of display for mobile advertising market that usually in a form separated from content and will be a distraction for the audience or users
“mobile internet”	browser-based internet services accessed from mobile devices such as smartphones and through a mobile or wireless network
“mobile performance-based advertising”	a mode of pricing for mobile advertising market, which the advertisers are charged by achieving measurable results e.g. activation or registration rates, download rates of new applications or contact information obtained
“PC”	personal computer
“platform(s)”	the environment in which a piece of software is executed
“programmatic advertising”	a system that automates the processes and transactions involved with purchasing and dynamically placing advertisements on websites or apps
“project enhancer(s)”	designated personnel(s) supervising the effectiveness and performance of the advertisement placements through various indicators, and whom should then advise on modification to the advertisement placement(s)
“public domain”	the area in the internet that anyone can have access to, or use the information or data from such area
“real time bidding”	a mean by which advertisement inventories are bought and sold on via programmatic instantaneous auction
“repeat customer(s)”	any individual or entity that has advertisement placement with us in more than one year/period during the Track Record Period
“SDK” or “software development kit”	software development kit, a set of software development tools that allows the creation of applications for a certain software package
“second-tier media publisher(s)”	top media which has traffic with MAU (monthly active users) between 50 million and 1 billion

GLOSSARY OF TECHNICAL TERMS

“smartphone”	handheld personal computer with a mobile operating system and an integrated mobile broadband cellular network connection for internet data communication
“SSP(s)” or “supply-side platform(s)”	a platform which enables media and platform or suppliers to manage their advertisement inventories
“still image format”	advertisement presented in static image only, usually containing words and graphics
“top media”	major online media publishers such as popular search engines and social media that offer advertisement inventories through their own advertising placement systems
“traffic”	in terms of traffic in mobile advertising, the flow of advertisement audience on mobile media
“user interface”	the space where interactions between human and machine occur, and is often used in the industrial design field of human-computer or smartphone interaction
“video format”	advertisements shown in a form of short video, usually accompanied with advertising content in still image
“virtual token(s)”	a digital asset designed to work as a medium of exchange for advertisement inventories

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 “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “goals,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, 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 outside 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 ability to maintain and grow our customer and supplier bases;
- our ability to maintain the necessary business scale;
- our ability to continue the successful implementation of our strategy of expanding our intermediary services;
- our ability to maintain competitive advantages on information technology and big data capabilities;
- our ability to maintain our technology capabilities and a reliable and efficient information technology infrastructure;
- our ability to attract, retain and develop qualified and skilled employees;
- future developments, trends and conditions in the mobile advertising industry;
- industries and markets in which we operate;
- our ability to control costs, including staff and advertising traffic costs;
- our ability to effectively manage our growth;
- the continuous growth and development of the mobile advertising industry;
- general economic, political and business conditions in the mobile advertising and the markets in which we operate;

FORWARD-LOOKING STATEMENTS

- relevant government policies and regulations relating to our industry, business and corporate structure;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial market and economic condition;
- capital market developments;
- change or volatility in interest ratios, foreign exchange ratios, equity prices, volume, operations;
- margins, risk management and overall market trends;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section under the heading “Risk Factors” 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 statements. 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. Accordingly, you should not place undue reliance on any forward-looking information. Statements of or references to our intentions or those of any of our Directors are made as at 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

You should carefully consider all the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial conditions and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial conditions and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may fail to compete effectively against other mobile advertising companies under the expected intense market competition, and the strong market positions of our major customers and media publishers may limit our bargaining power with them and we could lose our existing customers.

Mobile advertising industry in China is a rapidly growing and evolving industry, and the major entry barriers for market participants include technology barriers, channel resources and abundance of data resources. As demand for mobile advertising services continues to increase, together with low barriers of entry, we expect new competitors to enter into these markets and existing competitors to allocate additional resources to these markets. As a result, the competition in the mobile advertising industry is expected to be intensified.

Our direct competitors are other third-party mobile advertising companies. We compete not only for customers but also for gaining more recognition as the core advertising agents of media publishers which operate media platforms for advertising, as gaining the status of core advertising agent would help us in receiving more advertising orders from a wider base of customers. We also compete with conventional advertising media, as customers may allocate part of their overall marketing spending to direct marketing, printed advertising and traditional media such as television, radio and cable companies. Our ability to compete depends on many factors, including the price, the effectiveness of advertisements placed by us, the availability of quality advertisement inventories, the advancement of our technologies and the quality of our customer services. If these factors are unfavourable to us, we may not be able to compete effectively or maintain our market position. Further, since both our major customers and media publishers involve leading technology or internet companies in the PRC, as well as leading mobile internet conglomerates, given to their strong market position, we have a limited bargaining power with them, rendering it more difficult for us to obtain favourable commercial terms to maintain our competitiveness.

Some of our existing and future competitors may have longer operating histories, broader customers and suppliers reach and significantly greater financial, technical and marketing resources than we do. These competitors may engage in more extensive research and development, marketing campaigns and sales efforts than we can and develop or promote services that are similar to, better than ours, or in advance of us, or may have more connection

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with media publishers. New and increasing competition is likely to result in price reductions, reduced margins or a loss of our market position, any of which could cause us to lose our existing customers, or causes our revenues to decline, which may materially and adversely affect our business, results of operations and financial conditions.

We generate revenues from only one segment of mobile advertising services. If we fail to retain, deepen or expand our relationships with existing suppliers, media publishers, customers, attract new customers, or if our advertisers decide to directly engage media publishers for advertising, our financial condition, results of operations and prospects may be materially and adversely affected.

During the Track Record Period, our revenues were generated from one business segment of mobile advertising, which can be further classified into (i) the intermediary services; and (ii) the precision advertising services. Any adverse change or development of the mobile advertising industry, which may be affected by a number of factors including technological innovation or new business models of the mobile advertising industry, change in requirements of media publisher, acceptance of mobile advertising and change in regulations or policies, would have a severe effect on our principal revenue-generating activities.

As an industry norm, the advertisers usually do not directly liaise with major media publishers, especially top media, which, for the purpose of saving cost, usually do not maintain a large team of manpower to handle placement requests from the advertisers. Generally, advertisers will choose to engage an advertising agent in responsible for placing advertisement or liaise with media publishers directly owing to the discounts and add-on services provided, as advertisers may find it difficult to obtain bulk transaction discounts from the media publishers and they have to design, produce and arrange advertisement placements on their own. Therefore, advertisers usually need to place advertisements through advertising agents with accounts authorised by the media publishers for arranging the bidding and procurement of advertisement inventories. Nevertheless, there is no assurance that such industry norm will continue, and with the further development in mobile advertising industry, either the advertisers or the media publishers may set up its own team of manpower to handle advertisement placements directly, thus bypassing mobile advertising agents.

On top of maintaining business relations with our customers, our business model also revolves around relations with media publishers. In order to retain and attract customers, we are required to continue to provide suitable advertisement inventories for provision of services, which is dependent on our relations with suppliers and media publishers, as well as maintain the status of core advertising agents for some of these media publishers in order to be granted preferential discounts for purchases of virtual tokens and their consumption. If we are not able to retain our major suppliers or media publishers, in particular, those media publishers which recognised us as their core advertising agents, our ability in procuring suitable advertisement inventories at a suitable pricing for our customers will be adversely affected, so we may also not be able to retain our customers.

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Our business, profitability and prospect depend on, to a large extent, our ability to attract new customers and to retain existing suppliers, media publishers and customers for our mobile advertising services. As competition in the mobile advertising market continues to intensify in the PRC, media publishers may cooperate with more mobile advertising agents for monetarising their advertisement inventories, and that may cause the relevant media publishers to provide less favourable pricing terms to us, or it may render the procurement of advertisement inventories at the media publisher less attractive, so our customers may instead engage other advertising agent which offer better pricing, or even to directly engage with the media publisher. Under such circumstances, we may lose our customers, and our revenue, financial position, profitability and prospects may be materially and adversely affected.

We may not be able to develop new or enhanced services, or to keep abreast with the technological developments of the mobile advertising industry, which may adversely affect our business, financial conditions, results of operations and prospects.

The mobile internet and mobile advertising industry in China are rapidly evolving, and are subject to continuous technological developments and changing demands from different industry participants, including customers whom are advertisers, and the top media publishers which offer advertisement inventories. Our Directors believe that our future success depends, in part, upon our ability to enhance and integrate our existing services and to introduce new, competitively priced services with features that meet the evolving technological developments and requirements of both the customers and the suppliers, all in a timely and cost-effective manner. We must also develop and promote new services to address the emerging mobile advertising market in order to maintain our competitive position.

If we do not adapt our services to such changes in an effective and timely manner, we may lose our existing customers. Furthermore, changes in technologies or new business models may require substantial investments in product development, information technology infrastructure and other aspects of our operations. Our investments may not be successful due to a variety of reasons such as technical hurdles, inaccurate predictions of market demand or a lack of necessary resources. Failure to keep up with technological developments or new business models of the mobile advertising industry or the changing requirements of customers as well as the suppliers whom offer advertisement inventories may result in our services being less attractive to existing or potential customers, which in turn, may materially and adversely affect our business, financial conditions, results of operations and prospects.

Set out below are the factors which may adversely affect our plan to develop, launch and adapt new services, information technology and big data capabilities for introducing new or enhanced services:

- delays or difficulties in developing, integrating or customising new services;
- our competitors' introduction of new services ahead of us, or their introduction of superior or less-costly services;
- the development of in-house services that could eliminate the need for our services;

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- failure to anticipate changes in customers' preferences and demands;
- failure to adapt to other technological developments; and
- failure to react in a timely manner to greater adoption of new advertising pricing mechanism.

There can be no assurances that we will be able to introduce the necessary services to keep us abreast with the technological developments of the mobile internet and advertising industry, or the changing requirements of our customers and suppliers.

We are subject to risks and uncertainties as we only have a relatively short operating history in a competitive industry. Our limited operating history undermines the evaluation of our business and prospects.

We were established in late 2015 and have subsequently experienced rapid growth, with a CAGR in our revenue at a rate of approximately 65.8% for the three years ended 31 December 2019. Due to our limited operating history, our historical growth rate may not be indicative of our future performance. Our future performance may be more susceptible to certain uncertainties and risks than a company with a longer operating history in a different or less evolving industry. There are numbers of factors which could adversely impact our business and prospects and future performance, including but not limited to the following:

- our ability to materialise our future expansion plan, including further expanding our intermediary services, developing advertising and other new format of advertisement placements, and enhancing our information technology and big data capabilities through software and system updates and research and development;
- our ability to maintain, expand and further develop our relationships with our customers and meet their increasing demands;
- the continuous growth and development of the mobile advertising industry in China;
- our ability to maintain our technological advantages and keep abreast with the technological developments or new business models of the rapidly evolving mobile advertising industry in China;
- our ability to effectively manage our growth;
- our ability to compete effectively with our competitors in the mobile advertising industry; and
- our ability to attract and retain qualified and skilled employees.

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Caution should be taken when evaluating and considering our business and prospects in light of the risks and uncertainties we face as a fast growing company, which operates in a rapidly developing and evolving market. We cannot assure you that we will succeed in addressing the risks and uncertainties listed above, among others, which may materially and adversely affect our business and prospects and future performance.

We experienced a decrease in the profit margin during the Track Record Period.

Our margin for the intermediary services was approximately 15.5%, 10.8%, 8.8% and 9.5%, while the margin for our precision advertising services was approximately 24.1%, 20.4%, 20.7%, and 22.1%, for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The fluctuations in the margin for our intermediary services was mainly due to the increasing number of advertisements being placed at media publishers whose margins were thinner across the periods due to their higher popularity in the mobile advertising market. Meanwhile, our media publisher base changed during the Track Record Period to support and expand our intermediary services. We reached four media publishers for our intermediary services in 2016 and subsequently 41, 45, 30 and 13 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively, among which, three, seven, 11 and eight media publishers recognised us as their core advertising agent as at 31 December 2017, 2018 and 2019, and 30 April 2020, respectively. Our margin of the intermediary services depends on the composition of media publishers where our customers' advertisements are placed. We are generally offered less discount from advertisements placed at first-tier media publishers with stable and large traffic. On the other hand, we generally can enjoy a higher discount from second-tier media publishers. The margin we earned thus varied among our major media publishers in the intermediary services, which over 75% of the total gross revenue of our intermediary services ranged in margin from approximately 4.9% to 17.4% during the Track Record Period. The fluctuation of our margin for precision advertising services, particularly for the year ended 31 December 2018, was mainly attributable to our adoption of a competitive pricing strategy in order to retain, deepen and expand our relationships with the existing customers and attract new customers in light of the intensified competition in mobile advertising market.

Since our profitability depends on the preferences of the media publishers used by our customers and our pricing strategy from time to time, should a larger portion of our revenue is to be derived from media publishers offering thin margins, or should we need to adopt more competitive pricing due to the intensified competition in mobile advertising market, our profitability can be adversely affected resulting from a decrease in our profit margin.

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We have to pay for our customers in advance to media publishers before arranging the bidding of advertisement inventories, and we are exposed to risks with regard to collection of our trade receivables from our customers.

Pursuant to our business model, for our intermediary services, we operate an account at media publishers' advertising placement system on our customers' behalves and, after we have confirmed the advertising orders from our customers, we purchase designated virtual tokens in advance, as we are required to have sufficient amount of virtual tokens before arranging the bidding for advertisement inventories. This involves making a substantial amount of prepayments to media publishers before we bill our customers for the advertisement placements. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the amounts of such prepayments to media publishers amounted to approximately RMB18.4 million, RMB67.4 million, RMB67.2 million and RMB67.6 million respectively, representing approximately 21.2%, 27.1%, 19.9% and 17.7% of our total assets as at the same dates respectively. Our prepayments turnover days were approximately 26.0 days, 38.3 days, 46.9 days and 33.7 days for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The transaction amounts in intermediary services which require prepayments accounted for approximately 64.5%, 77.7%, 94.1% and 80.5% of our total revenue generated from the intermediary services (under the gross basis for revenue recognition) for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. Although the prepayments made in the form of virtual tokens are refundable in cash upon our request, there is no assurance that we may receive the refund of prepayment made to our suppliers in a timely manner. We are therefore exposed to the risk of default and recoverability risks in refund of prepayment.

We generally provide credit period (based on date of revenue recognition) to our customers, ranging from 30 to 150 days. As of 30 April 2020, our trade receivables amounted to approximately RMB277.1 million. Further, our trade receivables turnover days were approximately 51.9 days, 64.2 days, 92.6 days and 90.6 days for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

There is a time lag between the time when we purchase the virtual tokens on behalf of our customers and the time when the customers settle the trade receivables. Such time lag is resulted from the fact that (i) as part of our services to our customers, we usually purchase virtual tokens on behalf of our customers in cash before arranging the bidding of advertisement inventories for our customers; and (ii) our customers are also granted with a credit period from us after publication of advertisements. We only purchase the virtual tokens for our customers on an order by order basis after the advertising orders are confirmed and pursuant to the budget of each advertisement. We experience a mismatch in timing between the purchase of virtual tokens from media publishers and receipt of payment from our customers, which imposes a substantial cash requirements for funding our intermediary services. The scale of our intermediary services is therefore constrained by the working capital we have on hand from time to time. Therefore, for the arrangements of prepayment and the subsequent settlement by our customers, we are exposed to liquidity risk due to the time difference in making prepayment and receiving payment from our customers, which may hinder our ability and sufficiency in working capital for making prepayments for new advertising orders.

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Moreover, we cannot assure that the trade receivables are settled by our customers on time. As our business continues to expand, 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. There is no assurance that we will receive payments from our customers within such credit period agreed. Therefore, we are also subject to the credit risk in our outstanding balance of trade receivables, which is dependent on our customers' credit-worthiness. We recorded impairment losses on trade receivables of approximately RMB80,000, RMB393,000, RMB1.5 million and RMB1.8 million for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. We recently experienced a situation that we were unable to receive the fees in the amount of approximately RMB0.7 million from one of our customers, and we had to commence legal proceedings against this customer for the outstanding amount. For details, please refer to the section headed "Business – Legal proceedings and compliance – Legal proceedings – Legal proceedings against one of our customers" of this prospectus.

Macroeconomic conditions could also result in financial difficulties for our customers, including limited access to the credit markets, insolvency or bankruptcy, and as a result could cause customers to delay payments to us, request modifications to their payment arrangements or default on their payment obligations to us. In such event, we may not have sufficient working capital for our intermediary services, and we may lose our customers as we are not able to accept additional advertising orders. Accordingly, our business operations as well as financial conditions may be adversely affected.

Failure in complying with the standards and requirements from our media publishers of the intermediary services, in particular for those which recognised us as a core advertising agent, could result in loss of major media publishers and negatively affect our business, financial conditions and operating results.

As at 31 December 2017, 2018 and 2019, and 30 April 2020, three, seven, 11 and eight media publishers respectively had recognised us as their core advertising agent. We are required by the media publishers, which are offerors of advertisement inventories, to satisfy certain operational standards in order to become or to maintain the status as a core advertising agent. These requirements include, among others, meeting certain level of annual transaction amounts (in terms of designated virtual tokens purchased or consumed), cash-flow and/or good repute. In general, we also warrant to our suppliers that the contents of the advertisement we placed for our customers (of which we also prepare the materials based on information and data from our customers) to be in full legal compliance and should not infringe third party's intellectual property rights. Consequently, our reputation depends in part on providing services that both our customers and suppliers trust. Our ability of pitching potential and existing customers and put forward advertising proposals to them also rely on the availability of the media publishers that we can arrange advertisement placements.

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There is no assurance that we will be able to maintain the status of core advertising agent of our media publishers. We also cannot assure that we can always effectively monitor issues related to contents of advertisements placed, and that we may arrange the publication of advertisements that is objectionable or otherwise containing contents that is malware or give rise to contingent liability or claim by third party, which could harm our customers or our suppliers or our reputation. In any of such events, our media publishers may terminate our status as a core advertising agent, which will reduce our ability to put forward advertising proposals to our customers or potential customers; and our business, financial conditions and operating results will be adversely affected due to the loss of media publishers.

We have experienced loss-making advertisements and we may suffer losses on future advertising orders.

We occasionally conduct trial advertisement placements for our customers before they formally engage us to handle their advertising orders. In conducting these trial advertisement placements for our customers, we have encountered the situation that our customers were not satisfied with the results of trial advertisement placements, and we did not charge these customers for the advertising traffic costs incurred, thus resulting in loss-making advertisements. During the Track Record Period, the loss caused by these advertisements amounted to approximately RMB1.7 million, RMB2.0 million, RMB2.2 million and RMB0.3 million, respectively. Further, we may experience a mismatch of pricing mechanisms for the fees we charge our customers and as charged by our suppliers for the precision advertising services on some occasions. As we consider appropriate, we may select to place advertisements with our suppliers which charged us at pricing mechanism of CPC or CPD while we charged our customers based on CPA or CPS. We are therefore exposed to the risk of loss making in the event of such mismatch.

Our profitability may be adversely affected if we experience material financial losses from trial advertisement placements in future, or if the mismatch of pricing mechanisms results in unfavourable margin for our precision advertising services.

We were exposed to concentration risk of heavy reliance on a limited number of major customers.

We rely on a limited number of major customers, and we generally do not enter into the long-term contract with our customers. Our top five customers accounted for approximately 60.0%, 51.7%, 64.6% and 76.5% of our total revenue for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. For the same periods, our largest customer contributed to approximately 31.5%, 20.3%, 30.2% and 41.7% of our total revenue, respectively. In particular, Customer B has been our largest customer since 2018. For more details, please refer to the section headed “Business – Our Customers – Increasing business transactions with Customer B” of this prospectus.

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According to the F&S Report, advertisers tend to engage multiple mobile advertising companies even for the placement of the same advertisement in order to reach a broader range of media publishers and exercise multiple advertising strategies. Advertisers generally allocate advertising budgets among advertising agents based on their performances. The mobile advertising agents market is fragmented, and there were over ten thousands advertising agents competing in the market in 2019. Moreover, advertisers have little difficulties to replace their advertising agents, and the advertising agents hence compete with each other based on their service qualities, effectiveness of advertisements, favourability of commercial terms and variety of media publishers offered to the advertisers. Furthermore, advertisers are generally not required to enter into a long term agreement with advertising agent, and transactions are usually made under an order by order basis.

We cannot assure that we will succeed in retaining, deepening or expanding our relationships with the existing customers, or attracting new customers in the future. There is also no assurance that our existing customers will maintain their advertising budget and demand of our services in the future. If our customers determine that the advertising services or placements provided by us do not generate sufficient returns, they may reduce their advertising budgets or terminate their advertising arrangements with us. Failure to retain existing customers or attract new customers to advertise through our services may materially and adversely affect our business, financial conditions, results of operations and prospects.

In the event that the existing major customers, in particular, Customer B, cease to engage our service, or the owners or the agents for the major series of products cease to engage us or reduce the advertising orders made to us for advertising services, we may be unable to find new customers with similar attributable revenue within a reasonable time, and our business, prospects and profitability may be adversely affected.

Fluctuations in the advertising traffic costs may have adverse effect to our profitability.

We rely on the supply of advertisement inventories from suppliers in order to provide our services, in particular, the intermediary services. Our advertising traffic costs were approximately RMB178.9 million, RMB532.4 million, RMB665.4 million and RMB290.8 million for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively, representing approximately 99.1%, 98.6%, 98.1% and 98.8% of our cost of services (assumed the advertising traffic costs of the intermediary services were included in the cost of services for illustrative purpose) during the same periods respectively. As such, any fluctuation in the advertising traffic costs may have adverse effect to our profitability, thus to our financial performance and conditions should we fail to pass the increase in advertising traffic costs to our customers in part or in full.

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The following sensitivity analysis illustrates the impact of hypothetical changes in advertising traffic costs on our gross profit during the Track Record Period. Fluctuations in our advertising traffic costs are assumed to be 5% and 10% with reference to the historical fluctuation of the index of traffic acquisition cost for top media from 2014 to 2019 with a growth of CAGR of 8.8% from 2014 to 2019 as stated in the section headed “Industry overview – Overview of mobile advertising agency market in China – Threats” of this prospectus for illustrative purpose:

	Increase/(decrease) in gross profit			for the
				four months
	for the year ended 31 December			ended 30 April
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypothetical change				
+10%	(17,892)	(53,244)	(66,542)	(29,084)
+5%	(8,946)	(26,622)	(33,271)	(14,542)
-5%	8,946	26,622	33,271	14,542
-10%	17,892	53,244	66,542	29,084

We recorded negative net operating cash flow generated from operating activities for the years ended 31 December 2018 and 2019 and the four months ended 30 April 2020.

We recorded net cash used in operating activities of approximately RMB0.6 million and RMB12.2 million for the years ended 31 December 2018 and 31 December 2019 and approximately RMB15.1 million for the four months ended 30 April 2020, respectively. The negative net operating cash flow position was caused by, among others, (i) the add-back of non-cash items principally comprising depreciation and amortisation; and (ii) the changes in working capital comprising principally trade receivables. Please refer to the section headed “Financial information – Liquidity and capital structure – Cash flows” of this prospectus for more details. Furthermore, we expect to record negative operating cash flow for the year ending 31 December 2020.

There is no assurance that we can generate positive cash flows from operating activities in the future. If we are unable to generate sufficient cash flow from our operations in the future, or are otherwise unable to obtain sufficient funds to finance our business, our liquidity position may be adversely affected, and thus our financial performance and conditions will also be materially and adversely affected.

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Our staff costs and marketing expenses will increase pursuant to the implementation of our expansion plan.

As set out in details in the section headed “Future plans and use of proceeds – Use of proceeds” of this prospectus, we expect to incur additional employee benefit expenses and marketing expenses. In particular, we will recruit around 15 sales and marketing staff, 45 customer service staff, 20 staff for developing advertisement in video format, and 18 research and development staff in the next two years. The aggregate increase in employee benefit expenses for hiring these additional staff to support our expansion plan is estimated to be approximately RMB15.6 million in the two years ending 30 September 2022. We also intend to increase our marketing expenses for marketing campaigns including targeted industries such as real estate and automobile to expand our customer bases.

Accordingly, our overall operational costs are expected to increase. As our number of employees will expand, we are exposed to higher risk of increase in employee benefit expenses, in particular for mobile advertising industry, which has a shortage of talents available. Further, any increase in employee benefit expenses and minimum wage requirements in the PRC may have more impact on us due to our expanded number of employees, and there is no assurance that the actual increase in employee benefit expenses will not exceed our estimation. There is no assurance that our expansion plan will be successful, which brings increase in revenue sufficient to outweigh the additional costs and expenses, and that the new staff recruited and the marketing campaigns will bring the expected increase in our revenue, and that we will be able to pass on all or part of the increased employee benefit expenses and/or marketing expenses to our customers, and under such circumstances, our profitability, financial performance and conditions will be materially and adversely affected.

We are uncertain about the recoverability of our deferred income tax assets as they are subject to accounting uncertainties.

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. As at 31 December 2017, 2018 and 2019 and 30 April 2020, our deferred income tax assets amounted to nil, nil, approximately RMB1.7 million and approximately RMB1.7 million, respectively. For details of our deferred income tax assets during the Track Record Period, please refer to note 18 to the Accountant’s Report in Appendix I to this prospectus. Based on our accounting policies, deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The realisation of a deferred tax asset mainly depends on our estimate as to whether sufficient future profits will be available in the future. If sufficient future taxable profits are not eventually generated or are less than what is expected, a material reversal of deferred tax assets may arise.

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We rely on the performance of suppliers for our precision advertising services. Any malpractice of or disputes with these suppliers may adversely affect the services provided to our customers and our reputation, which may lead to loss of our existing customers.

For our precision advertising services, we engage suppliers for further arrangement of publication of the customer's advertisements at different long to medium tailed media, and we audit the costs of services payable to these suppliers based on the customer's confirmation on effective results pursuant to CPA or CPS. There is no assurance that our suppliers will not place our customers' advertisements at undesirable media publishers, and that we can also detect click fraud perpetuated by these suppliers to ensure the effect of the advertisement placement is accurate.

Disputes or malpractice of suppliers for our precision advertising services would adversely affect the effectiveness of the advertisement placements and services we provided to our customers, and could cause us to lose our existing customers, which further causes our revenues to decline and may materially and adversely affect our business, results of operations and financial condition.

There is lack of a transparent pricing system for mobile advertising market in the PRC, and our media publishers control the process for bidding advertisement inventories.

For our intermediary services, we are required to first purchase virtual tokens from the media publishers before we further arrange the bidding of the advertisement inventories on our customers' behalves. There is an absence of transparent evaluation system regarding to the performance of mobile news feed advertising, which may leads to confusions in pricing mechanism of mobile news-feed advertising. Pursuant to the prevailing bidding mechanism adopted, our media publishers control the bidding process for the advertisement inventories they supply, and the media publishers may place restrictions on the use of their advertisement inventories.

There is no assurance that during the process of bidding, we are able to put forward accurate pricing for successfully bidding the advertisement inventories desired by our customers, and we may lose our customers if we are not able to bid or place for the desired advertisement inventories at competitive rates, or fail to arrange a substitute or alternative sources of advertisement inventory with comparable traffic patterns and consumer demographic for our customers in a timely manner, and our financial conditions and performance will be adversely and materially affected.

If we do not effectively manage our growth, our operating performance will deteriorate.

We plan to further expand our intermediary services and developing new varieties of services we offered. Our expansion has placed, and will continue to place, substantial demands on our managerial, operational, technological and other resources. Our expansion plan will also require us to maintain the consistency of our service offerings to ensure that our market reputation and leadership does not suffer as a result of any deviations, whether actual or perceived, in the quality of services we offer. However, we cannot assure that we will succeed in managing our expansion plan and grow successfully.

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Our future business strategies includes: (i) further expanding our intermediary services; (ii) developing and expanding our customer base and service offerings; (iii) strengthening our data analytics and information technology capabilities; and (iv) attaining and retaining exceptional employees. Concerning our plan to further expand our intermediary services, during the Track Record Period, our margin for our intermediary services decreased from approximately 15.5% for the year ended 31 December 2017 to approximately 10.8% for the year ended 31 December 2018 and to approximately 8.8% for the year ended 31 December 2019, respectively, despite the revenue growth under gross basis for revenue recognition. Our margin for our intermediary services was approximately 9.5% for the four months ended 30 April 2020. There is no assurance that we will be able to manage the profit margin for our intermediary services during the course of our expansion, and our expansion plan may lead to a decline in overall gross profit margin, thus adversely affects our profitability and financial position.

For our strategy to expand customer base, including the plan to attract customers of real estate and automobile industries, we have not provided services to customers from these industries, and our knowledge of the specified industry may be limited. We may not be able to materialise our business plan as customers from these industries may have distinct target audience or promotion needs which we may not have sufficient capacity to cater. Our inexperience and lack of industry knowledge may hinder our expansion of customer base into these areas.

For our strategy to further expand our service offerings such as video format advertisements, there is no assurance that our current technology, procedures and human resources will be adequate to support our contemplated expansion plan, and there is no assurance that our new service offerings will enjoy a competitive edge over other competitors' similar services offers, due to the potential shortage of knowhow and/or knowledge of the specified technological requirement or development.

The following is a list of other factors which may adversely affect us in materialising our future expansion plan:

- change and fluctuation in the popularity and mobile traffic of our media publishers;
- challenge in ensuring the productivity of a larger employee base; and recruiting, training and retaining highly skilled personnel, including sales and marketing, research and development, customer service and mobile advertising specialists for our growing operations;
- challenge in successfully improving our mobile advertising software, information technology and big data capabilities to accommodate mobile internet developments, new advertising pricing mechanism and new demands;
- challenge in maintaining effective operational, financial and management controls; and
- challenge in responding to evolving industry standards and government regulations that impact our growing business.

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

We may face government actions and civil claims in connection with false, fraudulent, misleading, or otherwise illegal content of advertisements for which we provide advertising services

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 licences under certain serious circumstances. Under the Advertising Law, “advertising operators” include any natural person, legal person or other organisation that provides advertising design, production, or agency services to advertisers for their advertising activities. As our advertising services involve provision of agency services and design services to our customers, we are deemed as an “advertising operator” under the Advertising Law.

We cannot ensure that each advertisement for which we placed at media publishers complies with all PRC laws and regulations relevant to advertising activities, that supporting documentation provided by our customers is authentic or complete or that we are able to identify and rectify all non-compliances in a timely manner. If we provide advertising design, production or agency services with respect to an advertisement when it is determined by the relevant authority that we know or should have known that the advertisement is false, fraudulent, misleading, or otherwise illegal, the competent PRC authority may confiscate our advertising revenue from such services, impose penalties, order us to cease dissemination of such false, fraudulent, misleading or otherwise illegal advertisement or correct such advertisement, or suspend or revoke our business licences under certain serious circumstances, which may adversely affect our reputation, business, financial conditions, results of operations and business prospect may be materially and adversely affected.

If we fail to obtain accurate or sufficient data, we may not be able to put forward advertising proposals or place advertisements to target audience for our customers, and our business, results of operations and reputation will be adversely affected.

We depend on the accuracy and genuineness of advertising-related market data and other data obtained by our DMP in making advertising proposals to existing and potential customers, matching suitable advertisement inventories, as well as determining the service fees that we receive. We also rely on real-time data in relation to the performance of advertisements made available to us by our suppliers for evaluating the effectiveness of our customers’ advertising plan. However, there can be no assurance that the data obtained is accurate, and in case of

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inaccuracy or insufficiency, we will not be able to improve and achieve better performance for our customers, which could result in disputes with our customers, harm to our reputation and adversely affect our business, results of operations and financial conditions.

The regulations governing the mobile advertising industry are still evolving and developing. If we lack requisite approvals, licences or permits applicable to our business, it may have a material adverse effect on our business and results of operations.

The laws and regulations on the mobile advertising, mobile analytics and internet-related businesses, and the licensing and permit requirements pertaining to, companies in the internet, mobile advertising and mobile analytics industries, are relatively new and evolving. The interpretation and enforcement of these laws and regulations also involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what may be deemed to be in violation of applicable laws and regulations.

If any government considers that we were operating without the proper approvals, licences or permits or promulgates new laws and regulations that require additional approvals or licences or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licences, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by such government may have a material adverse effect on our business and results of operations.

The laws and regulations in relation to data mining keep changing. New laws and regulations may be promulgated in the future which may adversely affect our business and results of operations.

The laws and regulations in the PRC governing data mining are relatively new and evolving, with legislators continuously rolling out laws and proposals and regulators stepping up enforcement. As a result, it may create uncertainty for our data mining activities as well as our business and results of operation.

For instance, the Notice of the Cyberspace Administration of China on Soliciting Public Comments on the Measures for Data Security Management (Draft for comments) (《國家互聯網信息辦公室關於〈數據安全管理辦法(徵求意見稿)〉公開徵求意見的通知》, the “**Draft Measures**”) as disclosed in the section headed “Regulatory overview – Laws and regulations in the PRC – Regulations relating to cyber security and privacy protection” is not at this stage restricting our data mining activities and affecting our business. However, the Draft Measures may be amended, or new laws or regulations may be promulgated in the future, to regulate mobile advertising companies in using their data mining technology to collect data and information.

If new laws and regulations are promulgated in the future which impose restrictions on the use of data mining technology or carrying out data mining activities, our business and results of operation may be adversely affected.

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

Pursuant to the *Notice on Corporate Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries* (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), the “**Ministry of Finance Circular 27**”), which was promulgated by the Ministry of Finance and the SAT on 20 April 2012 and effected from 1 January 2011 and revised by the *Notice on Issues Relating to the Preferential Policies for Enterprise Income Tax in Software and Integrated Circuits Industry* (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》) on 4 May 2016, eligible software enterprises shall be exempt from the enterprise income tax for the first two years of the preferential period, and will be allowed a 50% tax reduction at a statutory rate of 25% for the next three years until the expiration of the preferential period. To enjoy such preferential tax benefits and treatments, enterprises shall meet certain requirements, for example, the expenses on research and development purposes in the relevant fiscal year should account for not less than 6% of the total revenue generated by such enterprise. We also enjoyed other preferential tax treatments in China, please refer to the sections headed “Regulatory overview – Laws and regulations in the PRC – Regulations relating to software services” and “– Regulations relating to taxation” of this prospectus for more details.

For the three years ended 31 December 2019 and the four months ended 30 April 2020, the current income tax expenses were nil, approximately RMB2.7 million, RMB8.0 million and RMB2.4 million respectively. Had there not been the preferential tax treatments to which the subsidiaries of our Group were entitled, the relevant current income tax applicable to them would have been increased by approximately RMB7.8 million, RMB12.5 million, RMB9.0 million and RMB4.3 million respectively for the same periods. There is no assurance that the relevant administrative or taxation authorities in China will not in the future discontinue any of our preferential tax treatments, potential with retroactive effect, and in such circumstances, our results of operation and financial condition will be adversely affected.

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

We have self-developed DMP, information technology and software system that is crucial to our business operation, from accurately analysing the suitable media publisher to evaluating the performance of advertising plan, as well as account-related matters with our customers. We are potentially vulnerable to cyber attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have taken steps to protect our database and information technology system, our security measures could be breached. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or wilful security breaches or other unauthorised access to our information technology system could cause confidential information or trade secret to be stolen and used for illegal purposes.

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Security breaches or unauthorised access to confidential information could also expose us to liability related 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 technology infrastructure are exposed and exploited, our relationships with our customers and/or suppliers could be severely damaged, we could incur significant liability and our business and operations could be adversely affected.

Our information technology system relies on some software developed by our research and development team that are highly technical, and if it contains undetected errors, our business could be adversely affected.

Our information technology system and big data capabilities rely on software that is highly technical and complex, which include our self-developed data-mining programme, software development skills and enterprise resource planning software. Some of the software are developed by our research and development team. The software on which we rely may now or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for our customers, delay introductions of new features or enhancements, result in errors or compromise our ability to protect data or our intellectual property. We also rely on members of our research and development team to spot these errors in the software and to improve our software as well as information technology system. Any errors, bugs or defects discovered in the software on which we rely, or any loss of key person or employee in our research and development team for monitoring such defects, could result in harm to our reputation, loss of customers or liability for damages, any of which could adversely affect our business, results of operations and financial conditions.

We may not be able to prevent others from making unauthorised use of our intellectual property.

As of the Latest Practicable Date, we held 66 software copyrights registered with the State Copyright of Bureau of China, and we had registered eight domain names. We regard our software copyrights, domain names, know-how, proprietary technologies 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. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages.

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

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such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in all jurisdictions. Preventing any unauthorised use of our intellectual property is difficult and costly and the steps 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. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. 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.

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

We prepare the contents of the advertisement to be placed on our customers' behalf mainly based on the information and materials provided by our customers. Nevertheless, 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 from time to time in the future be the subject of 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 products, services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in various jurisdictions. 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 or other intellectual property rights are evolving and may be uncertain, and we cannot assure you that courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, 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 performance may be materially and adversely affected.

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Certain of our leased property interests may be defective and could result in claims, monetary penalties, increased cost of operation or otherwise harm on our business.

As of the Latest Practicable Date, we operated our businesses primarily through six leased properties in Shenzhen, Beijing, Huzhou and Khorgas in China with a total gross floor area of approximately 1,619 square meters, and with terms expiring during the period from January 2021 to June 2022. We cannot assure that the respective landlords of these leased properties will agree to renew the tenancy with us on similar rental and commercial terms. Our business may be interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by the termination of the tenancies. Furthermore, for our leased properties, no more than five were mortgaged to third parties creditors by the respective landlords as at the Latest Practicable Date. In the event that our landlords default in payment or otherwise commit any event of default pursuant to the terms of the mortgage, the creditors may exercise their rights to dispose of the leased properties, and in such event we may be required to relocate. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favour.

In addition, one of our lease agreements in the PRC have not been filed with competent governmental authority. According to PRC laws, rules and regulations, the landlord and the tenant may be subject to administrative fines for such failure to file the lease. As of the Latest Practicable Date, we were not aware of any action, claim or investigation being conducted or threatened by the competent government authorities with respect to the defects in our leased properties. However, if we are fined or penalised by government authorities due to our lessors' failure to file our lease agreements, our business and financial conditions may be negatively impacted.

We did not fully comply with the requirements of registration and contribution of social insurance and housing provident funds for our employees during the Track Record Period, and may be subject to fines and penalties.

According to the applicable PRC laws and regulations, we are obliged to register and contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for some of our employees, and we were not penalised by the bureau or the relevant authority for the violation of laws and regulations on social insurance and housing providers fund contributions. Further, we did not complete the registration of housing provident funds for three of our subsidiaries and a branch company within the prescribed time.

Under the Regulations on Administration of Housing Provident Fund (住房公積金管理條例), (i) if we fail to complete housing provident fund registration before the prescribed deadlines after being demanded to make correction, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) we may be subject to an order by the relevant people's court to make such payments if we fail to make correction within a prescribed time. Further, according to the Social Insurance Law of the PRC (中華人民共和國社會保險法), for outstanding social insurance fund contributions that we did

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not fully pay, we are liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments within the prescribed deadline, after being demanded to make correction, we may be liable to a fine of one to three times the outstanding contribution amount. If we are penalised for the non-compliance concerning social insurance and housing provident fund registration or contribution, our business prospects, condition and results of operation may be adversely affected.

Retaining of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.

Our business operations depend on the continuous services of our senior management, particularly our founders (namely, Mr. Dong, Mr. Yang and Ms. Gao) as well as key employees with in-depth industry or technical knowledge. While we have provided incentives to our management and some of our key employees, we cannot assure you that we can continue to retain their services. If one or more of our key executives were unable or unwilling to continue 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 management, there is no assurance that any member of our senior management will not join our competitors or form a competing business. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements or we may not be able to enforce them at all. Competition for highly skilled professional personnel is also extremely intense, which could also increase our costs to attract and retain talented employees. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees may have greater resources than we have and may be able to offer more attractive terms of employment. In addition, we invest significant time and resources in training our employees, 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 products and services could diminish, resulting in a material adverse effect to our business. Increases in costs related to our employees may also adversely affect our ability to sustain profitability.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies, as well as other key decision making processes and certain corporate actions. The concentration of ownership may discourage, delay or prevent a change in control of our Company, which may deprive other Shareholders of opportunity to receive a premium for their Shares. In addition, our Controlling Shareholders may exercise their influence over our Company and cause us to enter into transactions or take, or fail to take, action or make decision that are not in the best interests of other Shareholders.

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We face risks related to natural disasters and health epidemics.

Our business could be materially and adversely affected by natural disasters, health epidemics 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. In particular, recently there has been an outbreak of COVID-19 in the PRC and globally. In the event that the PRC government imposes more stringent measures to prevent the spread of those diseases in the future, such as total restriction on working and transportation for a prolonged period of time, or if our employees are affected by any severe communicable diseases outbreak, it could adversely disrupt our operation and the execution of customers' orders, thus adversely affect our results of operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers, which could lead to a decrease in the demand for our services, and may have a material and adverse effect on our business, results of operations and financial conditions.

Our headquarters are located in Shenzhen, where most of our management and employees currently reside. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Shenzhen or other cities in which our other offices are located, our operation may experience material disruptions, which may materially and adversely affect our business, financial conditions and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

A portion of our operations are conducted in China. Accordingly, our results of operations, financial conditions and prospects are influenced by economic, political and legal developments in China. Economic reforms have resulted in significant economic growth in China in the past few decades. However, any economic reform policies or measures in China may from time to time be modified or revised. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past few decades, the rate of growth has slowed down since 2012, and growth has been uneven across different regions and among various economic sectors.

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The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. Although the Chinese economy has grown significantly in the past decade, that growth may not continue and any slowdown may have a negative effect on our business. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business, lead to reduction in demand for our products and adversely affect our competitive position.

The PRC legal system and the laws and regulations governing mobile advertising industry are evolving and embodies uncertainties which could limit the legal protections available to us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The PRC legal system evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. Our subsidiary, namely Huzhou Bright Future, is a wholly foreign-owned enterprise, as it was established in China, it is subject to laws and regulations applicable to foreign investment in China. National People's Congress Standing Committee has, on 15 March 2019, promulgated the Foreign Investment Law* (外商投資法) (the “**New Foreign Investment Law**”), which became effective on 1 January 2020 and covers the area such as definition of foreign investment, inducement of investment, protection of investment and investment management. In particular, the new provisions of the New Foreign Investment Law imposes information reporting requirements on foreign investors and the applicable foreign invested entities. Any company found to be non-compliant with the information reporting obligations may potentially be subject to fines.

In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to internet-related and advertising-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. As a result, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations, or we may fail to obtain or renew permits or licences that applicable regulators may deem necessary for our operations. Such unpredictability could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

PRC regulations on loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from making loans or additional capital contributions to our PRC entities.

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Such loans to our subsidiaries in China and capital contributions are subject to PRC regulations and

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approvals. In addition, the PRC government also restricts the convertibility of foreign currencies into Renminbi and use of the proceeds in case we use a portion of the proceeds in China. In case we decide to use a portion of the proceeds from the Listing in China, we need to obtain necessary approvals and filings from relevant PRC regulatory authorities to convert these proceeds from the Listing into onshore Renminbi.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》). If the proceeds from the Listing cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these Listing proceeds efficiently may be affected, which may adversely affect our business, results of operation and financial condition, and expand our business.

Enforcement of stricter labor laws and regulations may adversely affect our business and our profitability.

As of the Latest Practicable Date, we had a total number of 211 employees, all of them were located in our offices in China.

Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. According to the PRC Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations regarding including those relating to obligations to make social insurance payments and contribute to the housing provident fund. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected.

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If we receive dividends from our subsidiaries in the PRC, such dividends may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders.

We are a holding company incorporated under the laws of Cayman Islands and have subsidiaries in the PRC, from which we may receive dividends. Pursuant to the PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise, unless the jurisdiction of the foreign investor’s tax residence has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Agreement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》, or the Double Tax Avoidance Arrangement and relevant PRC tax laws on the interpretation of the Arrangement, a preferential withholding tax rate of 5% may apply if the PRC enterprise is at least 25% held by the Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and certain other conditions, e.g., the beneficial ownership requirement, are met. Furthermore, under the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures on Entitlement of Non-residents Taxpayers to Treatment under Treaties 《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》, which was issued in October 2019, the applicant for the preferential withholding rate may enjoy such preferential tax rate at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials pursuant to the Administrative Measures for future inspection, and accept follow-up administration by the tax authorities. No government approval for the application is required, although the relevant tax authorities may challenge the applicability of the preferential withholding rate later on. We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority or we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate under the Double Taxation Arrangement with respect to dividends to be paid by our PRC subsidiaries to Dragon Hero.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC shareholders.

According to the Announcement of the SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises 《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》, or SAT Circular 7, promulgated by the SAT in February 2015 and further revised in October and December 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through the transfer of the equity interests of an offshore holding company (other than the purchase and sale of shares issued by a PRC resident enterprise in public securities market) without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and treat the indirect equity transfer as a direct transfer. As a result, the gain derived from such transfer, i.e., the transfer price minus the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of SAT Circular 7, a transfer that

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meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company's revenues is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; or (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

On 17 October 2017, the SAT released Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source 《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》, or SAT Public Notice 37, effect from 1 December 2017 (and was amended on 15 June 2018). SAT Public Notice 37 made certain key changes to the current withholding regime including, such as (i) the withholding obligation for non-resident enterprise receiving dividend arises on the day the payment is actually made rather than on the day of the resolution to declare the dividends; (ii) the provision that non-resident enterprise shall self-report tax within seven days if their withholding agents fail to withhold is removed, etc.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring and sale of the shares in our offshore subsidiaries. We and our non-PRC resident investors may be subject to filing obligations in such transactions, under SAT Circular 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist with the filing under SAT Circular 7. As a result, we may be required to expend valuable resources to comply with SAT Circular 7 or to request the relevant transferors from whom we purchase tax able assets to comply with these circulars, or to establish that our Company should not be taxed under these circumstances, which may have a material adverse effect on our financial condition and results of operations.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts.

Substantially most of our business, assets, operations and subsidiaries are located in the PRC. In addition, all our senior management members reside in the PRC, and most of our assets, and the assets of those persons, are located in the PRC. Therefore, it may be difficult for our Shareholder to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be

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difficult or even impossible. In July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned 《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》. Under such an arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment, but not all judgment made by Hong Kong court may be enforceable under this arrangement, and the effectiveness of any action brought under the arrangement still remain uncertain.

Moreover, the legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which we are subject are also relatively undeveloped and untested.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and an active trading market may not develop.

Prior to completion of the Share Offer, 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 Share Offer. The Offer Price is the result of negotiations between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Share Offer. The market price of our Shares may drop below the indicative range of Offer Price at any time after completion of the Share Offer.

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

The trading or market 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, China, 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 China 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 the listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offering. The trading performances of the

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securities of these companies at the time of or after their initial public offering may affect the overall market 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. Such a decline in the trading or market price of our shares could also occur with the substantial sales or issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer 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 not more than seven 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.

As our Board has full discretion to whether to recommend dividends, you may not receive dividends and may rely on price appreciation of our Shares for a return on your investment.

Our Board has full discretion as to whether to recommend dividends. In addition, our Shareholders may in a general meeting also declare dividends, provided that no dividends shall exceed the amount recommended by our Directors. In either case, in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board decides to recommend such dividends to our Shareholders, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Share Offer or even maintain the price at which you purchased the Shares. You may not realise a return on your investment in our Shares and you may even lose your entire investment in our Shares.

Shareholders or investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where the investors may be located. The corporate affairs of our Company

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are governed by the Memorandum and the Articles, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. Shareholders may have different remedies in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

We have significant discretion as to how we will use the net proceeds from the Share Offer.

Our management may spend the net proceeds from the Share Offer in ways you may not agree with or that do not yield a favourable return. For details of our intended use of proceeds, see “Future plans and use of proceeds”. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the net proceeds from this Share Offer.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed “Industry overview” of this prospectus, contains information and statistics relating to the mobile and certain Internet-related industries. Such information and statistics have been derived from third-party reports commissioned by us, various government publications and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Share Offer.

There may be, subsequent to the date of this prospectus but prior to the completion of the Share Offer, press and media coverage regarding us and the Share Offer, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Share Offer. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Share Offer and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Share Offer or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Shares. By applying to purchase our Shares in the Share Offer, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Share Offer.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE

Pursuant to Rules 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally requires us to have at least two of our executive Directors ordinarily resident in Hong Kong. Given that the business and operation of us are primarily located, managed and conducted in the PRC, all of our executive Directors ordinarily reside in the PRC. We do not and will not, in the foreseeable future, have management presence in Hong Kong as required under Rules 8.12 of the Listing Rules.

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

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorised representatives are Mr. Yang, the executive Director, and Mr. Tso Ping Cheong Brian, the company secretary of our Company. Mr. Tso Ping Cheong Brian is ordinarily resident in Hong Kong. The authorised representatives are available to meet with the Stock Exchange in Hong Kong within a reasonable time if and when as required by the Stock Exchange and are readily contactable by telephone, facsimile or email;
- (b) we will promptly inform the Stock Exchange if there are any changes to our authorised representatives;
- (c) the authorised representatives have means to contact our Directors (including the independent non-executive Directors) and our senior management team promptly at all times and as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, we have implemented a policy whereby:
 - (i) each of our executive Directors and independent non-executive Directors shall provide his mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorised representatives;
 - (ii) each of our executive Directors and independent non-executive Directors will provide valid phone numbers or means of communication to the authorised representatives when he is travelling or out of office;
 - (iii) all the executive Directors, independent non-executive Directors and authorised representatives will provide their respective mobile phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) All our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents or will be able to apply for valid travel documents to visit to Hong Kong and will be able to meet the Stock Exchange within a reasonable period; and
- (e) meetings between the Stock Exchange and our Directors can be arranged through the authorised representatives or the compliance adviser of our Company, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorised representatives or the compliance adviser of our Company.

We have, in accordance with Rule 3A.19 of the Listing Rules, retain Messis Capital Limited as our compliance adviser, who will, among other things, in addition to the two authorised representatives, act as our additional channel of communication with the Stock Exchange. Our compliance adviser will be available to answer enquiries from the Stock Exchange and will act as our principal channel of communication with the Stock Exchange when our authorised representatives are not available. We have provided with the Stock Exchange the names, home and office telephone numbers, facsimile numbers and email addresses of at least two of the officers of the compliance adviser who will act as the compliance adviser's contact persons between the Stock Exchange and us.

We shall ensure that our compliance adviser will have access at all times to our authorised representatives, Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as our compliance adviser may need or may reasonably request in connection with the performance of its duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between us, our authorised representatives, Directors and other officers and our compliance adviser, and will keep our compliance adviser informed of all communications and dealings between us and the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains 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) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm that, having made all reasonable enquiries and 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 in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

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

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” of this prospectus, and the procedures for applying for Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” of this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement on a conditional basis. One of the conditions is that we and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have agreed on the Offer Price. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. The Share Offer is managed by the Joint Global Coordinators.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 2 November 2020 and, in any event, not later than Friday, 6 November 2020. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” of this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

We offer the Public Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Public Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly and indirectly in the U.S. except in compliance with the relevant laws and regulations of such jurisdiction.

Prospective investors for the Offer Shares should consult their financial advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme. None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

We have made all necessary arrangements for our Shares to be admitted into 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

You should consult your professional advisers if you 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 attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasise that none of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, us and any of our or their respective directors or any other person or party involved in the Share Offer accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTERS OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained in our Company's principal share registrar in the Cayman Islands. Our Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited.

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Shares registered in our Company's register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" of this prospectus and on the relevant Application Forms.

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the conversion of Renminbi into Hong Kong dollars and of Hong Kong dollars into U.S. dollars have been made at the rates of RMB0.9106 to HK\$1.00 and HK\$7.8340 to US\$1.00. No representation is made that (i) Hong Kong dollars could have been, or could be, converted into U.S. dollars; or (ii) the RMB amounts could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on 11 November 2020. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 1351.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the stabilising manager may choose to borrow up to 18,750,000 Shares from Brilliant League. Such stock borrowing arrangements will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out under the section headed “Structure of the Share Offer” of this prospectus.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer (including the Public Offer and the Placing) and its conditions are set out in the section headed “Structure of the Share Offer” of this prospectus.

LANGUAGE

English translations of the Chinese names or words which are included in this prospectus are for identification purposes only, and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency, the Chinese names or words shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Dong Hui (董暉)	Flat 2-15H, Block 3 Phase 6 Xinghaimingcheng Nanshan District Shenzhen Guangdong Province (廣東省深圳市南山區星海名城六期3棟2-15H)	Chinese
Mr. Yang Dengfeng (楊登峰)	Flat 10A, Block 3 Shekou Gaoshan Huayuan Industrial Eighth Road Nanshan District Shenzhen Guangdong Province (廣東省深圳市南山區工業八路蛇口高山花園3棟10A房)	Chinese
Ms. Gao Yuqing (高雨晴)	Flat 2-15H, Block 3 Phase 6 Xinghaimingcheng Nanshan District Shenzhen Guangdong Province (廣東省深圳市南山區星海名城六期3棟2-15H)	Chinese
Mr. Cen Senhui (岑森輝)	Flat 10C, Block 1 Phase 5 Xinghaimingcheng Nanshan District Shenzhen Guangdong Province (廣東省深圳市南山區星海名城五期1棟10C)	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Independent non-executive Directors

Mr. Chen Shuo (陳碩)	Flat 7B, Unit 3, Block 32 Yang Guang Zong Lu Yuan Nanshan District Shenzhen Guangdong Province (廣東省深圳市南山區陽光棕櫚園 32棟3單元7B)	Chinese
Mr. Liu Kin Wai (劉健威)	Flat D, 3/F, Blk 12 Nassau St. Mei Foo Sun Chuen Kowloon	Chinese
Mr. Wei Hai Yan (魏海燕)	Flat 23F, Jingxi Building 26 Jingtian North First Street Futian District Shenzhen Guangdong Province (廣東省深圳市福田區景田北一街26號 景西大廈23F)	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors and senior management” of this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Messis Capital Limited
Room 1606, 16/F
Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Joint Global Coordinators

SPDB International Capital Limited

33/F, SPD Bank Tower

One Hennessy

1 Hennessy Road

Hong Kong

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

Alpha International Securities (HONG KONG) Limited

Room 10, 9/F

China Merchants Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities as defined in the SFO

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Joint Bookrunners and
Joint Lead Managers**

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

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

Room 10, 9/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities as defined in the SFO

Orient Securities (Hong Kong) Limited

28th & 29th Floor
100 Queen's Road Central, Central
Hong Kong

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO

Legal Advisers to our Company

As to Hong Kong Law:

**Dennis Fong & Co., Solicitors
in association with Llinks Law Offices**
27th Floor, Henley Building
5 Queen's Road Central, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to PRC law:</i></p> <p>Dentons 3/F & 4/F, Block A Shenzhen International Innovation Center No. 1006, Shennan Boulevard Futian District, Shenzhen PRC</p>
	<p><i>As to Cayman Islands laws:</i></p> <p>Walkers (Hong Kong) 15th Floor, Alexandra House 18 Chater Road, Central Hong Kong</p>
Legal Advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong Law:</i></p> <p>Chungs Lawyers in association with DeHeng Law Offices 28th Floor, Henley Building 5 Queen's Road Central, Central Hong Kong</p>
	<p><i>As to PRC law:</i></p> <p>Shu Jin Law Firm 11/F & 12/F, Taiping Finance Tower 6001 Yitian Road Futian District, Shenzhen PRC</p>
Financial adviser to our Company	<p>Goldlink Capital (Corporate Finance) Limited Rooms 501-503, 5/F Kai Tak Commercial Building 317-319 Des Voeux Road Central Sheung Wan Hong Kong</p> <p>A corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity as defined in the SFO</p>

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditor and Reporting Accountant

PricewaterhouseCoopers

Certified Public Accountant

22nd Floor, Prince's Building

Central

Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc.,

Shanghai Branch Co.

1018, Tower B

Greenland Hui Center

500 Yunjin Road

Shanghai, China

Receiving Bank

CMB Wing Lung Bank Limited

45 Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered Office	The offices of Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008 Cayman Islands
Principal Place of Business in PRC	Rooms 201-02 & 201-03, Phase 7 Xinghai Mingcheng Community Nantou Jiedao Nanshan District Shenzhen, China (中國深圳市南山區南頭街道星海 名城社區7期201-02及201-03室)
Principal Place of Business in Hong Kong	Unit B, 17/F., United Centre 95 Queensway Admiralty Hong Kong
Company's Website	<u>www.btomorrow.cn</u> (the contents of this website do not form part of this prospectus)
Company Secretary	Mr. Tso Ping Cheong Brian (曹炳昌) <i>Certified Public Accountant</i> 9/F., Wah Yuen Building 149 Queen's Road Central
Authorised Representatives (pursuant to the Listing Rules)	Mr. Yang Dengfeng (楊登峰) Flat 10A, Block 3, Shekou Gaoshan Huayuan, Industrial Eighth Road, Nanshan District Shenzhen Guangdong Province (廣東省深圳市南山區工業八路蛇口高山花園 3棟10A房) Mr. Tso Ping Cheong Brian (曹炳昌) 9/F., Wah Yuen Building 149 Queen's Road Central
Audit Committee	Mr. Liu Kin Wai (劉健威) (<i>Chairman</i>) Mr. Chen Shuo (陳碩) Mr. Wei Hai Yan (魏海燕)

CORPORATE INFORMATION

Nomination Committee

Mr. Dong Hui (董暉) (*Chairman*)
Mr. Chen Shuo (陳碩)
Mr. Wei Hai Yan (魏海燕)

Remuneration Committee

Mr. Chen Shuo (陳碩) (*Chairman*)
Mr. Yang Dengfeng (楊登峰)
Mr. Liu Kin Wai (劉健威)

Compliance advisor

Messis Capital Limited
Room 1606, 16/F
Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

Principal Share Registrar

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008
Cayman Islands

Hong Kong Branch Share Registrar and transfer office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bank(s)

China Merchant Bank
(Shenzhen Keyuan Branch)
1/F, Yanxiang Science and Technology Mansion
No. 31 Gaoxin Middle 4th Road
Nanshan District
Shenzhen, Guangdong, the PRC

INDUSTRY OVERVIEW

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of their affiliates or advisers, nor any other party involved in the Share Offer (except Frost & Sullivan) and no representation is given as to its accuracy. The Directors believe after taking reasonable care, that there have been no material adverse changes in the market information since the date of issue of the F&S Report which maybe qualify, contradict or have an impact on the information in this section.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare reports on, the mobile advertising market in China (excluding Hong Kong, Macau and Taiwan) for the period from 2013 to 2024. We paid Frost & Sullivan a total fee of HKD1,050,000, which we believe reflects market rates for reports of this type.

We have included certain information from the F&S Report in this prospectus because we believe this information facilitates an understanding of the mobile advertising market in China for the prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the mobile advertising market with the geographical focus in China. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period from 2020 to 2024. In addition, Frost & Sullivan has developed its forecast on the bases and assumptions that (i) the economy in China is likely to maintain stable growth in the next decade; (ii) the country's social, economic and political environment is likely to remain stable in the forecast period; and (iii) the mobile advertising market in China is expected to grow based on the key industry drivers including rising consumption willingness, multiple purchasing channels, etc.

ABOUT FROST & SULLIVAN

Founded in 1961, Frost & Sullivan has 49 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in the PRC and direct access to the knowledgeable experts and market participants in the construction market and its industry consultants, on average, have more than three years of experience.

OVERVIEW OF MOBILE ADVERTISING MARKET IN CHINA

Advertising refers to the activities with the aim to promote or sell products, services or ideas. It usually involves the process of establishing target markets, defining target customers, choosing advertising methods and so forth. Advertising is a type of non-personal or mass communication with the target audience that is not only used for business, but also used widely by government agencies, educational institutions, and others to attract various target groups.

Generally, advertising can be segmented based on different types of media through which it is communicated, including traditional media such as newspaper, magazine, television, radio, outdoor advertising or direct mail; and new media, which can be segmented by devices: PC, mobile phone or tablet.

INDUSTRY OVERVIEW

Classification of mobile advertising market

Mobile advertising is a type of advertising via mobile phones, tablets and other mobile devices. Based on modes of pricing, mobile advertising can be generally segmented into mobile performance-based advertising and brand-based advertising. Mobile performance-based advertising refers to a type of advertising where purchasers pay only when results are measurable. Major modes of pricing of mobile performance-based advertising include CPA, CPS, CPC and CPD, which better targeting customer segmentation, improving user transmission rate and further increasing product sales volume in a short period, while brand-based advertising generally use CPM and CPT for charging, which establish a brand identity in the mind of the consumer.

Based on modes of display, mobile advertising can also be classified into mobile native advertising that are displayed in the formats that are consistent with the mobile user interface or information feeds and mobile non-native advertising. Mobile native advertising can be further segmented into four types, which include news-feed advertising, search engine advertising, app store advertising, video sites advertising and so forth, according to the advertising channels they are on. Mobile non-native advertising are separated from content and will be a distraction for users. It includes banner advertisements, pop-ups advertising, and integral wall advertising, etc.

Industry value chain

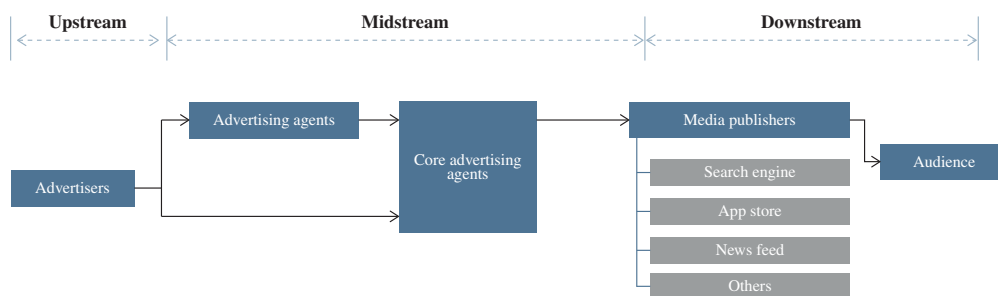
Advertisers are the original initiators of the whole value chain, they request for various marketing solutions to maximise advertising effects in product promotion and brand building. As an industry norm the advertisers usually do not directly liaise with major media publishers, especially top media, which, for the purpose of saving cost, usually do not maintain a large team of manpower to handle placement requests from the advertisers. Generally, advertisers will choose to engage an advertising agent in responsible for placing advertisement or liaise with media publishers directly owing to the discounts and add-on services provided.

Advertisers also tend to engage multiple advertising agents, so they can reach broader media publishers and exercise multiple advertising strategies for their advertising needs. They would allocate their advertising budgets according to the performance of these agents.

Next, advertising agent will evaluate demands from advertisers and make plan and arrange advertisement placements including determining target audience and optimal media publishers.

It is an industry norm that advertisers do not pay advertising agents in advance, and advertising agents will pay certain amount of cash for downstream customers to media publishers in advance. It is also an industry common practice that advertising agents will cooperate with other advertising agents in the way of exchanging advantageous advertising channels. That is, advertising agents might be downstream customers of each other.

Then, media publishers will deliver advertisements on their platforms to target audience in different forms such as words, pictures and videos. Finally, audience will receive advertisements via applications on their devices such as mobile phones and tablets. Our group is one of the mobile advertising agencies engaging in the market.



Source: Frost & Sullivan

Outbreak of COVID-19

The outbreak of COVID-19 will take its toll on the mobile advertising market in China. The COVID-19 is considered as highly contagious and poses a serious public health threat, thus resulted in travel restrictions, home office policies and the temporary closure of stores and facilities in China. These restrictions not only have slowed down the development of economy in China, but also have adversely affected the mobile advertising market in the first quarter of 2020. Operations of advertising agents have been disrupted by delays and reductions of business activities and commercial transactions with advertisers, especially those in tourism and catering industry.

On the other side, it is expected that the proportion of e-commerce advertising and short video advertising will further increase in 2020. Online entertainment and shopping during the epidemic have developed more rapidly than before. Consumers' consumption habits and purchasing behavior have changed. Advertisers have adjusted advertising strategies and focused more on mobile advertising in response to the threat in the shortest time as mobile devices users tend to spend more time at mobile activities during this period. For advertising agents, the epidemic has accelerated the development of mobile advertising services, which would help advertisers reach the consumer groups more accurately, driving business growth in a short time more effectively.

In light of the success of the PRC's anti-pandemic efforts, the macro economy has been gradually recovering and the spending on advertising is expected to recover. Moreover, as people are forced to stay home during the outbreak, they are more exposed to mobile advertisings. Advertisers are more willing to make investment on mobile advertising. Therefore, the overall expenditure on mobile advertising in China is expected to witness a growth as a whole but at a lower rate comparing to previous years.

Core values of advertising agents in mobile advertising market

The following set out the values added by the advertising agents to advertisers:

- **Rich experience:** Many advertisers turn to advertising agents for their rich industry experience and specialised knowledge. Advertising is complex and it is difficult for advertisers who do not have related experience, skills and business relationships to manage an advertising campaign. Small businesses, in particular, may not have their own advertising department, and need the expertise of advertising agents. Advertising Agents will usually have access to researchers, media publishers and other experts who can provide advertising know-how that small businesses cannot afford to hire for themselves. The campaigns that advertisers run will change at different times of the year, an advertising agent will retain employees in a range of different roles and can apply the right mix of skills to meet advertiser's campaign objectives.

INDUSTRY OVERVIEW

- **Full spectrum of services:** Advertising agents will research to define a client's target audience at a fine-detail level, identifying the best markets, media, and channels for the buy as well as establishing the budget and time frame best suited to accomplishing the advertisers' goals. As advertisers usually do not have access to a larger number of media publishers, advertising agents can leverage on their extensive supplier networks to arrange and manage placements of customers' advertisements at different media mostly through advertising agents for cost-effectiveness sake, in order to meet the advertising results required by the customers. It is common practice for advertisers to allocate their advertising budget to different media publishers. It is not cost-effective for customers to liaise directly with a large number of media publishers, as they do not generally have preference over the media publishers so long as the largest effective actions can be achieved.
- **Price advantages:** Although it may seem as though hiring an advertising agent will be expensive, an advertising agent can save advertisers a lot of money on advertising placement. Most agents are given discounts by media publishers, so they can get cheaper rates than advertisers dealing directly. Agents can also easily redesign advertising to be more effective while taking up a smaller amount of space, saving advertisers' cost.
- **Time advantages:** Using an advertising agent can save a business valuable time. Hiring an advertising agent means that advertisers do not need to spend time developing an advertising campaign. This is especially important if advertisers do not have staff that are dedicated to advertising work. Hiring an agent will free advertisers to do what they have been trained for. Most small business owners are busy enough running their business to give the creation of an advertising campaign the time and energy it needs.
- **Low cash pressure:** In general, advertising agents will advance the payments for the advertisers to media publishers, thus relieve the cash pressure from small advertisers. Advertisers with lower working capital will prefer having an advertising agent for their advertising campaign.

INDUSTRY OVERVIEW

Classification of media publishers

Media publishers can be further classified into top media and long to medium tailed media.

- Top media refers to major online media publishers with large and stable traffic, and they usually maintain their own advertising placement system for the purchases of virtual tokens and the bidding of advertisement inventories. Top media can be further sub-categorised into tiers of media publishers based on number of average MAU (monthly active users), which includes, among others:
 - *First-tier media publishers:* they usually have stable and significant traffic (exceeding 1 billion MAU), as well as high degree of user stickiness that can be monetised. The level of traffic will maintain stable in the foreseeable future. They usually have strict agency review system and can only provide relatively lower discount to their own core advertising agents.
 - *Second-tier media publishers:* they have a lower degree of user stickiness, with MAU ranging from 50 million to 1 billion, and the mobile traffic may decrease within a short period of time, mainly owing to the reason that they usually have a shorter lifespan and could be easily replaced by newcomers mobile apps. Some second-tier media publishers have positive growth potential and may become first-tier media publishers following further expansions. Second-tier media publishers usually provide relatively higher discount to their own core advertising agents, so as to enhance their competitiveness in the market against the first-tier media publishers.
- Long to medium tailed media are usually small-sized to medium-sized mobile apps with lower popularity, and are able to reach target audience more precisely. These media are generally apps or websites of small establishments but they would have audience of specific interests due to the unique topics and functionalities. They may have higher user conversion rate, but have disadvantages in traffic size and stability.

Market size analysis

Market size of advertising market and breakdown by media

In 2019, PC, mobile devices, newspaper and magazines as well as television are four major media for advertising in China. From 2014 to 2019, the overall advertising market went through a stable growth, with a CAGR of 11.9% while the growth of each segment of advertising market based on types of media varied. The advertising market of traditional media including newspaper and magazines and television presented a negative growth from RMB48.7 billion and RMB120.6 billion in 2014 to RMB16.6 billion and RMB69.0 billion in 2019, representing a CAGR of -19.4% and -10.6% respectively. The emerging forms of new media and communication platforms have brought influence on traditional media. With the expansion of audience' accesses to information, the reliance on traditional media is decreasing, thus has caused advertisers' reduction on investment in traditional advertising. On the contrary, the advertising market of new media such as PC and mobile devices presented an upward trend as new media are gaining more preference from the target audience. Driven by the increasing number of mobile internet users and usage of digital media, the mobile advertising market increased rapidly from RMB37.5 billion to RMB414.9 billion in the same period, representing a CAGR of 61.7% while the advertising market of PC grew steady from RMB117.1 billion in 2014 to RMB122.4 billion in 2019 at a CAGR of 0.9%. Along with the iteration of mobile advertising technology, it is estimated that the mobile advertising market will continue to grow and reach RMB795.4 billion in 2024, representing a CAGR of 13.9%.

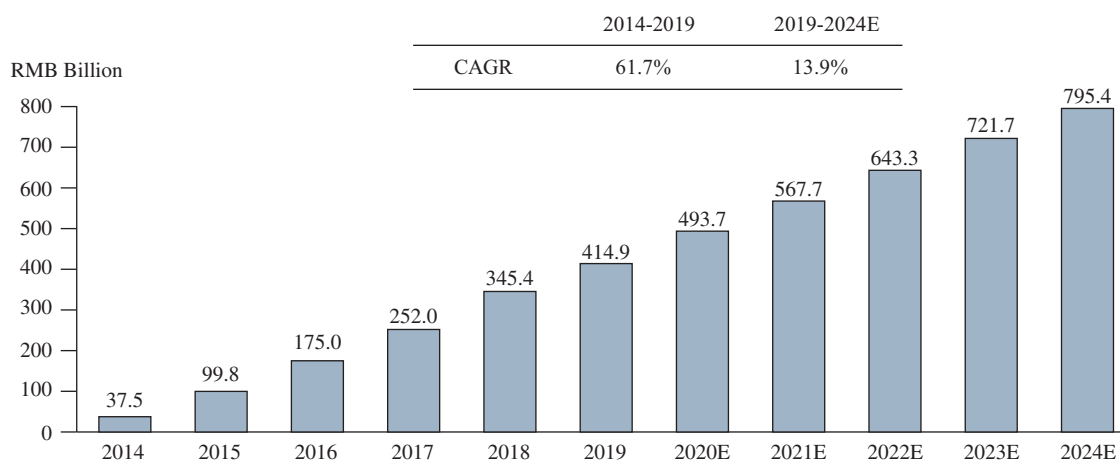
INDUSTRY OVERVIEW

Market size of mobile advertising market

Driven by the increasing number of mobile internet users and supportive regulations from PRC government, the mobile advertising market in China increased continuously in recent years. In addition, mobile advertising giants such as Baidu, Alibaba and Tencent expand rapidly with their related revenue accounting for over 50% of the total mobile advertising market, which drives the development of the market. From 2014 to 2019, the market size of mobile advertising increased from RMB37.5 billion to RMB414.9 billion in 2019, representing a CAGR of 61.7%.

Changes in consumer behavior and new consumption environment bring innovations to the mobile advertising market. Along with the expected increase in upstream advertisers' demand and establishment of advertising pricing system in the coming years, the mobile advertising market in China is estimated to reach RMB795.4 billion in 2024 at a CAGR of 13.9% from RMB414.9 billion in 2019.

**Market size of mobile advertising market (China),
2014-2024E**



Source: Frost & Sullivan

Market size of mobile advertising market and breakdown by content

Based on the content of mobile advertising, the market can be categorised into mobile image advertising, mobile video advertising and others. With the people's demand for obtaining diverse advertising experiences and the vigorous growth of short video and mobile live streaming, the mobile video advertising market in China witnessed a growth from RMB2.7 billion in 2014 to RMB57.7 billion 2019, with a CAGR of 84.5%. It is estimated to reach RMB123.6 billion in 2024 from 2019, with a CAGR of 16.5%. Mobile video advertising contributed to 7.1%, 13.9% and 15.5% of total mobile advertising market in 2014, 2019 and 2024 respectively.

Meanwhile, the mobile image advertising market increased from 2014 to 2019, with its market size growing from RMB34.5 billion to RMB342.7 billion at a CAGR of 58.3%. The growth of mobile image advertising market would stabilise in the following years, demonstrating a CAGR of 12.8% from 2019 to RMB626.7 billion in 2024. Mobile image advertising contributed to 92.0%, 82.6% and 78.8% of total mobile advertising market in 2014, 2019 and 2024 respectively.

INDUSTRY OVERVIEW

Cost analysis

- **Average monthly salary of service personnel in mobile advertising market**

Service personnel in mobile advertising market are mainly responsible for serving and communicating with the clients. Along with the expansion of mobile advertising market in China, the average monthly salary of service personnel in mobile advertising market in China increased from RMB4,906.8 in 2014 to RMB7,541.9 in 2019, representing a CAGR of 9.0%.

It is estimated that average monthly salary of service personnel in mobile advertising market in China will further increase from RMB7,541.9 in 2019 to RMB9,542.8 in 2024, representing a CAGR of 4.8%. The growth is expected to be mainly driven by the growth of overall mobile advertising market, which tends to stimulate the increase in the salary level of the service personnel therein.

- **Price of advertisement inventories in mobile advertising market**

Advertisement inventory is the base unit sold by advertising channels to an advertiser. With the expansion of mobile advertising market in China, limited resources of high quality advertisement inventories in the market made downstream advertising channels having more bargaining powers over advertisers especially for top media such as Baidu and Bytedance, thus the price of advertisement inventories for top media experienced a growth over the past years. On the other hand, the bargaining power of long to medium tailed media varied depending on content quality, life span, user base and advertising performance of platforms, thus the prices varied accordingly. In the future, with the further proliferation of mobile phones and mobile applications, advertisers would take full advantage of those applications to promote their products, under which circumstances, advertisers would compete with each other to bid for better advertisement inventories on media platforms especially those top media which have already accumulated large user base, in order to achieve maximum exposure and to expand the opportunities of being monetised. As such, the price of advertisement inventories of top media in the mobile advertising market in the foreseeable future will show an upward trend. On the other hand, the price of advertisement inventories of long to medium tailed media is expected to vary in the future.

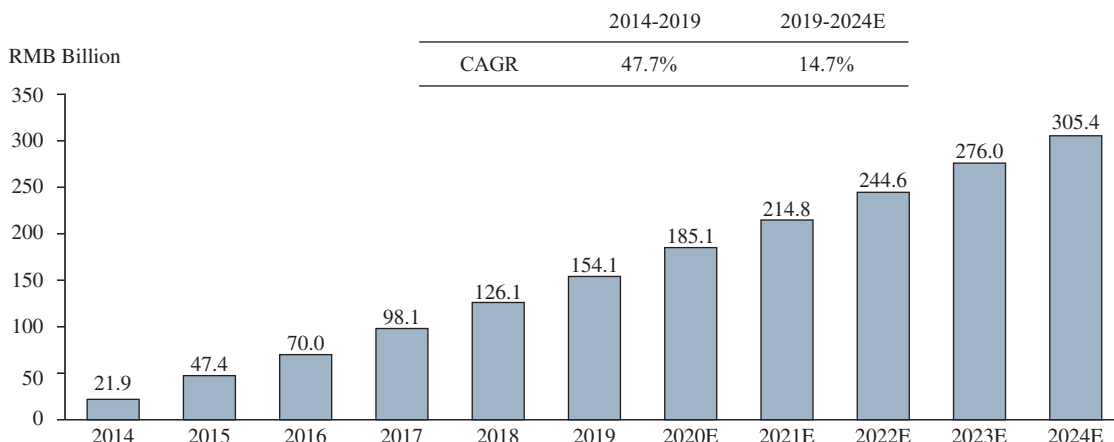
OVERVIEW OF MOBILE ADVERTISING AGENCY MARKET IN CHINA

Mobile advertising agents connect upstream advertisers and downstream media publishers. They provide services including identifying appropriate media publishers based on advertisers' demands and purchase traffic resource for them.

Market size analysis

Market size of mobile advertising agency market

Market size of mobile advertising agency market (China), 2014-2024E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Revenue generated by advertising agents reached approximately RMB154.1 billion in 2019, representing a CAGR of 47.7% since 2014, the notable growth of which was in line with the vigorous development of mobile advertising market in China. The growth was mainly due to the fact that advertisers consider advertising agents rich industry experience and specialized knowledge, thus provide mobile advertising services in a more effective way, saving advertisers' cost.

As advertising agents provide more comprehensive services for their customers from different industries, the mobile advertising agency market in China will grow stably and reach approximately RMB305.4 billion in 2024.

Market drivers

- *Enlarging number of internet and mobile internet users*

The improving internet infrastructure along with the increasingly affordability of mobile devices have substantially optimised mobile broadband experience, allowing users to become more accustomed to use mobile devices to share and obtain information, to conduct entertainment activities, etc., which further contributes to the surge in mobile traffic. From 2014 to 2019, the number of mobile internet users in China increased from 556.8 million to 875.8 million, representing a CAGR of 9.5%. The penetration rate of mobile internet users in total internet users increased from around 85.8% in 2014 to around 98.8% in 2019. The shift of user habit has therefore prompted advertisers to allocate increasing digital expenditure on market campaign to mobile, thus promote the development of mobile advertising agency market in China.

- *Improvement of advertising performance*

The improvements on performance of mobile advertising stimulate the development of mobile advertising agency market accordingly. For instance, mobile news feed advertising is based on users' behaviors including search history, browsing history and purchase history, thus exposing the demands and preference of users to advertisers. Advertising agents will facilitate advertisers with monitoring the performance and changing trends of mobile news feed advertisings. Therefore, advertising agents are able to better match advertisements with target audience, which improves the advertising performance in terms of conversion ratio. Together with big data and continuously updated technology, more advertisers will choose to use mobile news feed advertising, which drives the development of mobile advertising agency market further.

Opportunities

- *Popularisation of programmatic ad buying*

Programmatic ad buying refers to the automated buying and selling of online advertising involves real time bidding through demand-side platforms. It helps improving efficiency and effectiveness of mobile advertising, which is beneficiary for both advertisers and advertising agents. Advertising agents will continue to increase their investments in products, technologies and data to develop their programmatic advertising operation. With the rapid development of programmatic ad buying, the profitability of mobile advertising will be better improved, which is likely to create more growing.

INDUSTRY OVERVIEW

- ***Diversifying downstream advertising channels***

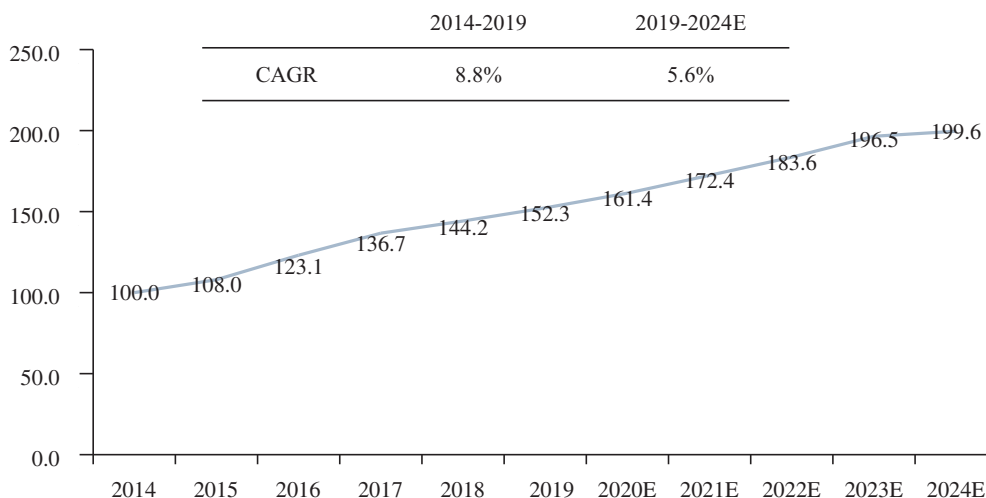
Along with the rapid development of mobile live streaming market and short video market, the downstream advertising channels of mobile advertising market are more diversified. The market size of mobile live streaming in China in terms of total registered user number grew at a CAGR of 94.8%, rising from 15.4 million users in 2014 to 432.1 million users in 2019. Hence, mobile live streaming platforms have become an important advertising channel for advertisers with the substantial amount of users. Meanwhile, the vigorous growth of mobile short video market also caught the attention of advertising agents. Utilising the extensive traffic from mobile live streaming platforms and mobile short video platforms, mobile advertising market is expected to have more opportunity to grow in the future.

Threats

- ***Increase in cost of traffic acquisition***

With the gradual saturated mobile users and slow growth in number of mobile internet users, the reduction of demographic dividend directly resulted in a more expensive traffic price. The advertising agents thus are facing the situation that they have to maximise the effect of advertisements within a limited budget, which calls for the requirements of accuracy in advertising in order to avoid unnecessary waste of resources. The following index shows the trend of historical traffic acquisition cost for top media from 2014 to 2019 and expected traffic acquisition cost for top media up to 2024:

Index of traffic acquisition cost for top media, 2014-2024E



Source: Frost & Sullivan

The index of traffic acquisition cost for top media increased from 100.0 in 2014 to 152.3 in 2019, representing a CAGR of 8.8%. The growth was mainly due to the fact that top media had already accumulated a large user base, and their user bases tend to be stable as they are benefited from their established brand recognition, which therefore provides huge potential user traffic for advertisers to monetise. Such trend is likely to continue in the foreseeable future as advertisers tend to compete for good advertising resources to acquire audience effectively.

- ***Lack of transparent pricing system***

As the competition intensifies, advertising agents unenviably face difficulties in maintaining and expanding their businesses, especially when there is an absence of transparent evaluation system regarding to the performance of mobile advertising, which tends to lead to confusions in pricing mechanism of mobile advertising. The lack of regulated pricing system poses as a market threat to the existing mobile advertising market in China.

Development trends

- ***Programmatic advertising continues to expand***

Programmatic advertising has been on a tear and its scale is expected to enlarge in the foreseeable future due to the effectiveness and efficiency such model enjoys. From one side, advertisers and advertising agents benefit from access to guaranteed advertising inventories and the resources of advertising allocation could get optimised for multiple campaigns. While for media publishers, they could lock in revenue through advance reservations and update their forecast automatically. Additionally, the programmatic advertising model could further activate the value from long-tailed traffic which has not been fully explored before.

- ***Integration between context and scenario***

Service scope of mobile applications has been currently covering a majority of aspects in people's daily life, ranging from basic necessities to entertainment activities. Thanks to the development of LBS (location-based services), consumers could be better targeted by advertising agents via real-time data and could receive advertising-containing messages customised for them at that moment and in that place. With the proliferation of O2O (online to offline) business model, demand for integrating advertising with real offline context and scenario to provide better user experience is rising and it will become a trend that advertising agents will keep focusing on the collection and analysis of real-time data to take the advantage of such huge traffic to bring benefits to the offline stores as well.

Entry barriers

- ***Technology barrier***

It is essential for service providers to get equipped with advanced technologies such as data analytics tools and tracking system to help companies to identify appropriate audience and recommend advertising accordingly. The advertising delivery process would generate a huge amount of data in perspective of device-specific information, in-depth behavioral data from users and other data provided by advertisers and media publishers. The ability to cleanse those data into more meaningful and structured data would allow advertising agents to achieve better monetisation efficiency for their media publishers.

- ***Channel resources***

Channel resources are considered significant for advertising agents as good channel resources are beneficiary for improving audience conversion rate. Meanwhile, popular channels usually have accumulated a large amount of user traffic, indicating large potential consumers for advertisers. Newcomers, however, who lack sufficient industry experience and customer resources, may lack such ability to explore new channel resources or to maintain stable relationship with existing channels.

- ***Data analytics***

Data resource is considered one major basis for advertising agents to conduct effective marketing promotion. The abundance of data resources is closely related to the campaign dissemination of accuracy and effectiveness by profiling audience and reaching target audience precisely. However, the accumulation of data resources could not be achieved in a short period and requires the companies to be equipped with strong data analytics.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE ANALYSIS

With the rapid growth in the mobile advertising agency market in China, the market is fragmented and there were over ten thousands advertising agents competing in the market in 2019. The top five players accounted for about 16.8% of total mobile advertising agency market in 2019 as measured by revenue. In 2019, our Group contributed to approximately 0.5% of total mobile advertising agency market in terms of revenue in China.

At present, the core of market competition lies in the technology and business model innovation, especially in the ability to attract more traffic and to optimise advertising traffic cost. Leading players in mobile advertising agency market in China demonstrated higher technology level and will make more capital investments to strengthen their technology capabilities. Those technologies include DMP, SaaS (software as a service), ad exchange platform and own media platforms, etc. Some advertising agents developed their DMPs with big data capabilities in order to achieve audience targeting accuracy and enhance advertising performance. Utilising technology capabilities, advertising agents are able to conduct historical analysis on past performance, and monitor and optimise advertising performance on a real-time basis, thereby making the advertisements more effective and efficient. In addition, it will help improve the return on investment of the advertisers and save labour costs. SaaS is provided as an analytical tool that enables advertisers to monitor and analyse various aspects of operating data. SaaS helps advertising agents improve user acquisition and monetisation efficiency. Ad exchange platform facilitates the buying and selling of advertising inventories from multiple ad networks, advertising agents with such technology will have advantages in advertising efficiency and performance. Furthermore, some advertising agents have their own media platforms that are able to provide their own traffic. Advertising agents that do not have the capital and capability to develop higher level of technology have to use third-party platforms and may not be able to enhance advertising efficiency and competitive in gaining market shares.

With support from the PRC government, capital investment from investors and changes of users' preferences towards mobile devices, the mobile advertising agency market in China demonstrates great potential in the future.

Ranking	Company Name	Brief Introduction	Listing Status	Revenue (RMB million)	Market Share (%)
1	Company A	An advertising company providing branding, strategy, and agency services	Listed on the Shanghai Stock Exchange	9,155.4	5.9%
2	Company B	A company providing mobile advertising agency services to a wide range of groups including e-commerce, apparel, finance, games	Private	8,995.7	5.8%
3	Company C	A company providing mobile advertising agency services	Listed on the Main Board	3,016.2	2.0%

INDUSTRY OVERVIEW

Ranking	Company Name	Brief Introduction	Listing Status	Revenue (RMB million)	Market Share (%)
4	Company D	A digital marketing company providing mobile advertising agency services	Private	2,639.8	1.7%
5	Company E	A mobile advertising platform serving large B2C e-commerce, online brands, and internet finance	Listed on NEEQ	2,117.9	1.4%
	Top 5 total			25,925.0	16.8%
	<i>Our Group</i>			<i>760.0</i>	<i>0.5%</i>
	Others			128,184.3	83.2%
	Total			154,109.3	100.0%

Source: Frost & Sullivan

Note: Revenue shown above only included revenue generated from mobile advertising agency services and recognised under gross basis.

LAWS AND REGULATIONS IN THE PRC

Applicable laws and regulations which the PRC subsidiaries shall comply with are set out below:

Regulations Relating to Internet Advertising

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

The Advertising Law stipulates the rules and related legal responsibilities of the advertising operators in respect of illegal advertising content published. According to the Article 57 of the Advertising Law, the administration for market regulation shall confiscate the advertising fee of the advertising operators, impose a fine ranging from RMB200,000 to RMB1 million and in serious cases may revoke their business licence under any of the following circumstances: (i) Publishing of advertisements prohibited by Article 9 and Article 10 of the Advertising Law; (ii) Publishing of advertisements of prescribed drugs, advertisements of narcotic drugs, psychotropic substances, toxic drugs for medical use, radioactive pharmaceuticals and other special drugs, drug precursor chemicals and pharmaceuticals, advertisements of medical machinery and treatment method for drug abuse rehabilitation, which are against the provisions of Article 15 of the Advertising Law; (iii) Publishing of advertisements of baby dairy products, beverages and other food asserted to be full or partial substitute for breast milk, which are against the provisions of Article 20 of the Advertising Law; (iv) Publishing of tobacco advertisements, which are against the provisions of Article 22 of the Advertising Law; (v) Violating Article 37 of the Advertising Law in publishing advertisements to promote products whose manufacturing and sale are prohibited and services prohibited to provide, or publishing of advertisements of goods or services for which publishing of advertisements is prohibited; and (vi) Publishing of medical, pharmaceutical, health food, medical equipment, cosmetics, liquor and aesthetics advertisements on mass media targeted at minors, as well as advertisements of online games which are not conducive to the physical and mental health of minors, which are against the provisions of the first paragraph of Article 40 of the Advertising Law.

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According to the Article 69 of the Advertising Law, advertising operators guilty of committing any of the following tortuous acts in violation of the provisions of the Advertising Law shall bear civil liability: (i) Harm the physical and mental health of minors in the advertisements; (ii) Patent counterfeiting; (iii) Belittle the goods or services of other manufacturers or business operators; (iv) Use the name or image of others in an advertisement without obtaining their consent; or (v) Any other acts which infringe upon the legitimate civil rights and interests of others.

In the case of publishing any other false or illegal advertisements except for the aforementioned circumstances, the administration for market regulation shall impose administrative penalties on the advertising operators who provide design, production, agency services when they are aware or should be aware that the advertisement is false or illegal. Such advertising operators shall bear criminal liability when their acts constitute a crime.

According to the *Interim Measures for the Administration of Internet Advertising* (《互聯網廣告管理暫行辦法》), the “**Internet Advertisement Measures**”) promulgated by the State Administration for Industry and Commerce (the predecessor of the State Administration for Market Regulation of the PRC (國家市場監督管理總局)) on 4 July 2016 and implemented on 1 September 2016, the internet advertisements mentioned in these measures refer to commercial advertisements which directly or indirectly promote goods or services through websites, web pages, internet applications and other internet media in the forms of texts, pictures, audios, videos, etc. Internet advertisements may, in the way of programmatic buying, be published in a well-targeted manner by utilising the information integration, data analysis and other services provided by the advertising demand-side platforms, media-side platforms and advertising information exchange platform. The Internet Advertisement Measures also provides detailed guidelines for the advertisers, advertising operators and advertising publishers.

According to the Internet Advertisement Measures, online advertisements in relation to certain categories of goods and services (e.g. prescription drugs and tobacco) are expressly prohibited and certain advertisements (e.g. advertisements for medical treatment, pharmaceuticals, agricultural chemicals, veterinary drugs and health foods) are only permitted if they have been pre-approved by the relevant authorities. Internet advertisers, advertising operators and advertisement publishers must enter into written contracts in conducting internet advertisement business and activities. Advertisements published or distributed via the internet shall not interfere with users’ normal use of the internet. Publishing advertisements on the internet through a pop-up page or in other forms shall provide a prominently marked “close” button to ensure “one-click closure”. It is not allowed to lure users to click on the contents of advertisements by any fraudulent means. Pursuant to this regulation, advertising operators shall establish and improve the management systems regarding acceptance registration, review and filing of the internet advertising businesses according to the relevant regulations of the State, and shall examine relevant certificates, verify the contents of advertisements, and shall refuse to design, produce, act as agent for or publish advertisements if the verification fails or if the certificates are incomplete.

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The following activities are prohibited under the Internet Advertisement Measures: (i) providing or using applications and hardware to block, filter, cover, fast-forward or implement other restrictions on lawful advertisements provided by others; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements provided by others, falsifying or covering advertisements duly operated by others or adding or uploading advertisements without permission; or (iii) inducing false quotes, seeking illegitimate interests or harming the interests of others by using fake statistics, communication effects or internet value. Industry and commerce administrative departments (the predecessor of the Market Regulatory departments) are the relevant local administrative authorities that supervises and enforces punishments for any illegal act in internet advertising. Any violation of the Internet Advertisement Measures may result in fines, prohibition of publishing advertisements for a period of time or withdrawal of business licences, etc.

According to the *Administrative Measures on Online Transactions* (《網絡交易管理辦法》) promulgated by the State Administration for Industry and Commerce on 26 January 2014 and implemented on 15 March 2014, online commodity transactions referred to in these measures shall mean business activities of sale of commodities or provision of services through the internet and relevant services referred to in these measures include profit-oriented advertising and promotion services. Information of commodities or services provided by relevant service providers shall be true and accurate, and shall not contain false propaganda and representation. Relevant service providers shall adopt technical measures and other necessary measures to ensure personal information and commercial secrets security, and prevent information leakage or loss. In the event of occurrence or possible occurrence of information leakage or loss, remedial measures shall be adopted.

Regulations Relating to Cyber Security and Privacy Protection

In order to safeguard national security of the PRC, Chinese internet content is regulated and restricted. The SCNPC enacted the *Decision on the Maintenance of Internet Security* (《全國人民代表大會關於維護互聯網安全的決定》) on 28 December 2000, revised on 27 August 2009 and became effective on the same date. According to the decision, anyone who commits any of the following acts, which constitutes a crime, shall be investigated for criminal responsibility in accordance with the relevant provisions in the Criminal Law: (i) use the internet to market fake and substandard products or carry out false publicity for any commodity or service; (ii) use the internet for the purpose of damaging the commercial goodwill and product reputation of any other person; (iii) use the internet for the purpose of infringing on the intellectual property of any other person; (iv) use the internet for the purpose of fabricating and spreading false information that affects the trading of securities and futures or otherwise jeopardises the financial order; or (v) create any pornographic website or webpage on the internet, provide links to pornographic websites, or disseminate pornographic books and magazines, movies, audiovisual products, or images. Pursuant to *Administrative Measures on Security Protection for International Connections to Computer Information Networks* (《計算機信息網絡國際聯網安全保護管理辦法》) which was promulgated by the Ministry of Public Security (公安部) on 16 December 1997 and revised by the State Council on 8 January 2011, no entity or individual will be permitted to make use of international connections to harm national security, disclose State secrets, infringe on the national, social or collective interests or the legal rights and interests of citizens, or engage in other illegal or criminal activities.

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On 13 December 2005, the Ministry of Public Security issued the *Regulations on technological Measures for Internet Security Protection* (《互聯網安全保護技術措施規定》), the “**Measures for Internet Security Protection**”), which took effect on 1 March 2006. The Measures for Internet Security Protection requires online entity users shall adopt technical measures for the protection of the internet security according to law (including anti-virus, data back-up, information record and other related measures), and shall not take technical measures to injure the users’ freedom and confidentiality of communication under the pretext of protecting the security of the internet.

On 28 December 2012, the SCNPC promulgated the *Decision on Strengthening the 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》), which became effective on the same date, to enhance the legal protection of information security and privacy on the internet.

According to the *Cyber Security Law of the PRC* (《中華人民共和國網絡安全法》), which was published by the SCNPC on 7 November 2016 and took effect on 1 June 2017, no individual or organisation may engage in activities that threaten cybersecurity such as unlawful intrusion into others’ networks, interfering with the normal functions of others’ network and stealing network data, provide programs or tools for such intrusions, interference or stealing, or provide any assistance such as technical support, advertisement, payment or settlement for any other person if the individual or organisation is fully aware that such person engages in an activity endangering cybersecurity; no individual or organisation may steal or otherwise unlawfully obtain any personal information, or unlawfully sell or unlawfully provide any personal information to others.

On 8 May 2017, the Supreme People’s Court (最高人民法院) and the Supreme People’s Procuratorate (最高人民檢察院) released the *Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding Application of Law in the Handling of Criminal Cases of Infringement of Citizen’s Personal Information* (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), the “**Interpretations**”), effective from 1 June 2017. The Interpretation clarifies several concepts regarding the crime of “infringement of citizens’ personal information” and the sentencing standard of serious circumstance and especially serious circumstance stipulated by Article 253A of the *Criminal Law of the PRC* (《中華人民共和國刑法》).

Pursuant to the *Notice of the Cyberspace Administration of China on Soliciting Public Comments on the Measures for Data Security Management (Draft for comments)* (《國家互聯網信息辦公室關於〈數據安全管理辦法(徵求意見稿)〉公開徵求意見的通知》), the “**Draft Measures**”) promulgated by the Cyberspace Administration of China on 28 May 2019, under the leadership of the Central Cyberspace Affairs Commission, the state cyberspace administration shall be responsible for the overall planning, coordination, direction and supervision of protecting personal information and important data security. Cyberspace administrations at the municipal level or above shall direct and supervise the protection of personal information and important data security within their respective administrative areas. Any network operator that collects and uses personal information through products such as

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websites and applications shall develop and disclose the rules for collection and use separately. The rules for collection and use may be included in its privacy policies for websites, applications and other products, or may be made available to users in other forms. Network operators shall not use personal information in violation of the rules for collection and use. If it is necessary to expand the scopes of the use of personal information due to business needs, network operators shall obtain consents from personal information subjects. Network operators shall not interfere with the normal operation of the websites when they access and collect website data by automatic means. If such acts seriously affect the operation of websites, for example, the traffic of data collection by automatic access exceeds one-third of the average daily traffic of the websites and the websites require network operators to cease such automatic access and collection, network operators shall cease such acts. When network operators use user data and algorithms to push news and commercial advertisements, they shall clearly indicate the words of “targeted push” and provide an option for users to cease receiving the targeted push information.

Prior to providing personal information to other persons, network operators shall assess the potential security risks and obtain consents from the data subjects. Exceptions shall be applied to the following circumstances: (i) the personal information is collected through legal public channels and provision of it does not go against the willingness of the data subjects; (ii) the personal information is voluntarily disclosed by the data subjects; (iii) the personal information has been subject to anonymization; (iv) provision of such information is necessary for the performance of responsibilities and functions of law enforcement departments in accordance with the law; or (v) provision of such information is necessary for safeguarding national security, social and public interest or the lives of data subjects. For any network operator violating the provision hereof, the competent departments shall, in accordance with relevant laws and administrative regulations and depending on the circumstances, take disciplinary actions such as disclosing misconduct publicly, confiscating illegal incomes, suspending relevant business operations, ceasing business operation for rectification, shutting down the websites, revoking the relevant business permits or business licenses on it. If the violation constitutes a crime, criminal liability shall be investigated in accordance with the law.

According to the Draft Measures, these measures shall be applicable to such activities as the collection, storage, transmission, processing and use of data (hereinafter referred to as “**data activities**”) as well as the protection, supervision and administration of data security within the territory of the PRC.

As described in the Draft Measures, “Network Operators” means the owners and administrators of networks as well as network service providers, “Personal Information” refers to all kinds of information recorded in electronic or other forms, which can be used, independently or in combination with other information, to identify a natural person’s personal identity, including but not limited to natural person’s name, date of birth, identity certificate number, biometric information, address and telephone number, etc., and “Important Data” means the kind of data, if divulged, may directly affect national security, economic security, social stability and public health and security, such as undisclosed government information, large-scale population, genetic health, geography and mineral resources, etc. Important Data shall usually not include information related to the production and operation and internal management of enterprises or personal information, etc.

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Our Group is engaged in the mobile advertising agency business in the PRC. We collect data, for example, the duration and frequency of seeing the advertisements on the public domain by data mining technology. Such data are anonymous and unrecognisable information, which are open to the public and only related to the advertisements themselves. Such data information cannot be used, independently or in combination with other information, to identify a specific natural person's personal identity or reflect a specific natural person's activities. As confirmed by our Directors, since the data we obtained is publicly available from the media publishers and such data did not contain any "Personal Information" or "Important Data" as stipulated under the Draft Measures, we did not face any restriction from the media publishers in conducting our data mining activities during the course of our operations. We have never taken any measure to invade or interfere in the computer information system like cracking or bypassing the technical safeguard measures set by the data mining targets. Besides, all the data information we collected are only used for our own mobile advertising agency business and will not be resold to or shared with other parties. As advised by the PRC Legal Advisers: (i) since the services we provided to our customers are mobile advertising agency services rather than the network services and we do not conduct any data activities by operating or administrating network to carry out the mobile advertising agency business, we shall not be considered as the "Network Operators" described in the Draft Measures; (ii) the data we collected by data mining technology does not belong to the "Personal Information" or the "Important Data" as defined in and proposed to be governed by the Draft Measures; and (iii) our data mining activities in respect to collecting data information on the public domain are in compliance with all the relevant PRC laws and regulations relating to cyber and data security.

Regulations Relating to Software Services

According to the *Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries* (《進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》), which was promulgated by the State Council on 28 January 2011 and implemented on the same date, software enterprise can enjoy a series of preferential policies formulated by the PRC government, such as fiscal and taxation policies, investment and financing policies, research and development policies, import and export policies, talent policies, etc. Any eligible enterprise that has been certified as software enterprise is entitled to the preferential enterprise income tax policy of "exemption for two years and 50% reduction for three years" from the year when it starts to make profits. The following paragraph specifies the relevant rules in relation to evaluation of software enterprise respectively issued by Shenzhen Software Industry Association (深圳市軟件行業協會) and China Software Industry Association (中國軟件行業協會).

The *Rules for the Implementation of Software Enterprise Assessment Service in Shenzhen* (《深圳市軟件企業評估服務實施細則》) was issued by Shenzhen Software Industry Association on 1 October 2016 and the Standard for Software Enterprise Evaluation 《軟件企業評估標準》 was issued by China Software Industry Association on 8 September 2017. These rules regulate the evaluation standards and procedures of software enterprises in Shenzhen and Huzhou respectively. The evaluation standards of software enterprises include: (i) the enterprise shall have core technologies and carry out business activities based on this, and the

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total amount of research and development expenses in the year accounts for not less than 6% of the total sales (business) revenue of the enterprise; among them, the proportion of the amount of research and development expenses incurred by the enterprise in the PRC to the total research and development expenses shall not be less than 60%, and (ii) the software products development and sales (business) revenue of the software enterprise accounts for at least 50% of the total revenue of the enterprise (the embedded software products and information system integrated products development and sales (business) revenue accounts for not less than 40% of the total revenue of the enterprise), in which the proportion of sales (business) revenue of self-developed software products to the total revenue of the enterprise shall generally be not less than 40% (embedded software products and information system integration products development sales (business) revenue accounts for not less than 30%) of the total revenue of the enterprise etc.. Enterprises that pass the evaluation will obtain the software enterprise certificate issued by Software Industry Association. According to the business introduction on the website of Shenzhen Software Industry Association, the above-mentioned evaluation of software enterprise is an industry self-disciplined service provided by them, the application of which shall be made voluntarily by enterprises. Whether relevant departments regard the software enterprise certificate as supporting materials depends on the interpretation of relevant departments.

Company Law

The establishment, operation and management of corporate entities in the PRC is governed by the *Company Law of the PRC* (《中華人民共和國公司法》, the “**Company Law**”), which was promulgated by the SCNPC on 29 December 1993, became effective on 1 July 1994 and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. The latest Company Law became effective since 26 October 2018.

The Company Law generally governs two types of companies: limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its creditors is limited to the entire value of assets owned by the company. Liabilities of shareholders of a limited liability company are limited to the contributions which they have subscribed. Liabilities of shareholders of a joint stock limited company are limited to the amount of capital they are legally obliged to contribute for the shares for which they have subscribed.

Regulations Relating to Wholly Foreign-owned Enterprise

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) was promulgated by the SCNPC on 15 March 2019 and became effective on 1 January 2020 and the Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) was promulgated by the State Council on 26 December 2019 and became effective on 1 January 2020. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in any field with investment prohibited by the negative list for foreign investment access.

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Foreign investors shall meet the investment conditions stipulated under the negative list for any field with investment restricted by the negative list for foreign investment access. For the fields not included in the negative list for foreign investment access, management shall be conducted under the principle of consistency for domestic and foreign investment.

According to the *Catalogue of Industries for Encouraging Foreign Investment (2019 Version)* (《鼓勵外商投資產業目錄 (2019年版)》) which was jointly promulgated by the NDRC and the MOFCOM and became effective on 30 July 2019, and *Foreign Investment Access Special Management Measures (Negative List) (2020 Version)* (《外商投資准入特別管理措施(負面清單) (2020年版)》) (the “**Negative List**”) which was promulgated on 23 June 2020 and implemented on 23 July 2020, industries for foreign investment are classified into the encouraged foreign investment industry, and restricted foreign investment industry and prohibited foreign investment industry as listed in the Negative List. As advised by our PRC Legal Advisers, the business engaged by our Group (i.e. as an agent for internet advertising) is not listed in the Negative List.

According to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which was jointly promulgated by the MOFCOM and the State Administration for Market Regulation on 30 December 2019 and became effective on 1 January 2020, foreign investors carrying out investment activities in China directly or indirectly shall submit investment information to the commerce administrative authorities pursuant to these measures. The investment information includes, among others, initial reports, change reports, deregistration reports and annual reports.

Regulations Relating to M&A

Pursuant to the Rules on the *Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which was promulgated jointly by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the CSRC, and the SAFE on 8 August 2006 and became effective on 8 September 2006 and was subsequently amended on 22 June 2009, when (i) a foreign investor purchases the equity interest of an enterprise in PRC other than a foreign-invested enterprise; or (ii) increases the capital of a domestic enterprise, and thus converting such domestic enterprise into a foreign-invested enterprise; or (iii) a foreign investor establishes a foreign-invested enterprise in the PRC for operating assets purchased from a domestic enterprise; or (iv) a foreign investor purchase assets from a domestic enterprise and uses this asset to invest and establish a foreign-invested enterprise and operate such assets, the foreign investors shall obtain the necessary approval. Where a domestic company, enterprise or natural person intends to take over his/her/its related domestic company through an offshore company which he/she/it lawfully established or controls, the takeover shall be subject to the examination and approval of the MOFCOM.

According to the *Manual of Guidance on Administration for Foreign Investment Access* (《外商投資准入管理指引手冊》), issued by the MOFCOM on 18 December 2008 and implemented on the same date, for foreign-invested enterprises already established, the transfer

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of equity from a Chinese party to a foreign party is not subject to the M&A Rules, whether or not there is a relationship between the two parties, or whether the foreign party is an original shareholder or a new investor. Under the M&A Rules, the target company of merger and acquisition only includes domestic enterprises.

Regulations Relating to Intellectual Property

Copyright Law

The *Copyright Law of the PRC* (《中華人民共和國著作權法》) was promulgated by the SCNPC on 7 September 1990 and amended respectively on 27 October 2001 and 26 February 2010 (the latest revised version became effective from 1 April 2010). The *Implementation Regulations for Copyright Law of the PRC* (《中華人民共和國著作權法實施條例》) was promulgated by the State Council on 30 May 1991, and amended respectively on 2 August 2002 and 30 January 2013 (the latest revised version became effective from 1 March 2013).

On 4 June 1991, the *Computer Software Protection Regulations* (《計算機軟件保護條例》) was promulgated by the State Council. This Regulations, subsequently revised on 20 December 2001, 8 January 2011 and 30 January 2013 (the latest revised version became effective from 1 March 2013), are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organisations is automatically protected immediately after its development, whether published or not. Software copyright may be registered with the software registration agency appointed by the State Council copyright administrative department and if registered, the certificate of registration issued by the software registration authorities will be the preliminary evidence of items having been registered.

On 20 February 2002, the State Copyright Bureau (國家版權局) issued the *Measures for Regulation of Computer Software Copyright* (《計算機軟件著作權登記辦法》), which apply to software copyright registration, licence contract registration and transfer contract registration and authorised the China Copyright Protection Centre (中國版權保護中心) as the institution responsible for software registration.

Trademark Law

According to the *Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by the SCNPC on 23 August 1982 and subsequently amended in 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 (the latest revised version became effective from 1 November 2019) and the *Implementation Regulation of the PRC Trademark Law* (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002 and amended on 29 April 2014 (the latest revised version became effective from 1 May 2014), registered trademarks including commodity trademarks, service marks, collective trademarks and certification marks, refer to trademarks that have been approved and registered by the Trademark Office. The trademark registrants shall enjoy the exclusive right to use the marks,

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which shall be protected by the law. Any natural person, legal person or other organisation, intending to acquire the exclusive right to use a trademark for his/her/its goods or service in the course of their manufacturing and business activities, shall file an application for the registration of the trademark with the Trademark Office.

Patent Law

The *Patent Law of the PRC* (《中華人民共和國專利法》) was promulgated by the SCNPC on 12 March 1984 and was revised on 4 September 1992, 25 August 2000 and 27 December 2008 respectively (the latest revised version became effective from 1 October 2009). The *Implementation Regulations for the Patent Law of the PRC* (《中華人民共和國專利法實施細則》) was promulgated by the State Council on 15 June 2001 and revised on 28 December 2002 and 9 January 2010 respectively (the latest revised version became effective from 1 February 2010). According to the regulations mentioned above, “invention-creations” shall mean invention patent, utility patent or design patent. Any invention or utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability. Any exploitation of a patent without the authorisation of the patentee constitutes an infringement of the patent right of the patentee.

Domain Names

The MIIT promulgated the *Administrative Measure for Internet Domain Names* (《互聯網域名管理辦法》) on 24 August 2017, which became effective from 1 November 2017. According to this measure, the MIIT is in charge of the administration of PRC internet domain names and the domain name services follow a “first come, first file” principle. Use of domain name by providers of Internet information services shall comply with laws and regulations and the relevant provisions of the telecommunication administrative authorities, and shall not use a domain name to carry out illegal acts.

Regulations Relating to Employment and Social Security

Labour

The *Labour Law of the PRC* (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994 and was amended on 27 August 2009 and 29 December 2018 (the latest revised version became effective from 29 December 2018), the *PRC Employment Contract Law* (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007 and was amended on 28 December 2012 (the latest revised version became effective from 1 July 2013) and the *Implementing Regulations of the Employment Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), which were promulgated and became effective on 18 September 2008, regulates the legal relationship between employers and employees. These laws together stipulate the employment contracts, settlement of labour dispute, labour remuneration, protection of occupational safety and healthcare, social insurance and welfare, etc. Written labour contracts must be entered into in order to establish the labour relationship between employers and employees. Employers are also required to pay wages no lower than the local minimum wage standards to their employees.

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Social Insurance and Housing Provident Funds

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 28 October 2010 and amended on 29 December 2018, governs the PRC social insurance system. It requires employers and/or employees (as the case may be) to register social insurance with competent authorities and contribute required amount of social insurance funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance. Employers who failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fine ranging from RMB500 to RMB3,000. Employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Under the *Regulations on the Administration of Housing Provident Fund* (《住房公積金管理條例》), which was promulgated by the State Council on 3 April 1999 and subsequently amended on 24 March 2002 and 24 March 2019 respectively, all business entities are required to conduct registration with local administrative center of housing provident funds, maintain their housing fund accounts and pay the funds for their employees. Where an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where an employer is overdue in the payment of, or underpays the housing provident fund, the housing provident fund management center shall order it to make the payment within a prescribed time limit; where the payment has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Regulations Relating to Foreign Exchange

Foreign exchange in the PRC is mainly regulated by the *Foreign Exchange Administration Regulations* (《中華人民共和國外匯管理條例》), promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008 (the latest revised version became effective from 5 August 2008). Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless prior approval is obtained from the SAFE and/or prior registration with the SAFE is made.

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Pursuant to the *Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control of Overseas Investment and Financing and Round-tripping Investment made by Chinese 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**”), issued by the SAFE on 4 July 2014 and implemented on the same date, for the purposes of investment and financing, Chinese residents who intend to establish directly or indirectly controlled overseas special purpose vehicles shall apply to the foreign exchange bureau for completion of foreign exchange registration formalities prior to making capital contribution in this special purpose vehicle by using their legitimate assets or interests. For an overseas special purpose vehicle which has completed registration formalities, where there is any change in the basic information such as Chinese resident individual shareholder, name, term of business, or occurrence of a significant change event such as increase or reduction of capital contribution, equity transfer or exchange by Chinese resident individual, merger or division, foreign exchange registration change formalities shall be promptly completed with the foreign exchange bureau.

On 13 February 2015, SAFE promulgated the *Notice on Further Simplifying and Improving the Foreign Exchange Management 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》), the “**SAFE Circular 13**”), which took effect on 1 June 2015 and was amended on 30 December 2019. In accordance with the SAFE Circular 13, the banks will review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

On 30 March 2015, SAFE issued the *Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises* (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) the “**SAFE Circular 19**”), which took effect on 1 June 2015. SAFE further issued the *Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account* (《關於改革和規範資本項目結匯管理政策的通知》), the “**SAFE Circular 16**”) and the *Notice on Annuling five Foreign Exchange Management Normative Documents and clauses of seven Foreign Exchange Management Normative Documents* (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》) which, among other things, amend certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

On 26 January 2017, SAFE issued the *Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), the “**SAFE Circular 3**”), which stipulates

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several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements when conducting outward remittance of a sum equivalent to more than USD50,000; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits.

Regulations Relating to Taxation

Value-added Tax

According to the *Interim Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993, amended on 10 November 2008, 6 February 2016 and 19 November 2017 (the latest amendment was implemented from 19 November 2017), and the *Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例實施細則》) promulgated on 25 December 1993 and lately revised on 15 December 2008 and 28 October 2011 (the latest revision became effective from 1 November 2011), all entities and individuals in the PRC engaging in sale of goods or labour services of processing, repair or replacement, sale of services, intangible assets, or immovables, or import of goods are required to pay value-added tax for the added value derived from the process of processing, sale or services.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Programme of Replacing Business Tax with Value-Added Tax in an All-round Manner* (《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 was promulgated by the Ministry of Finance (財政部) and the SAT on 23 March 2016 and amended on 11 July 2017, 25 December 2017 and 1 April 2019, the pilot programme of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of 1 May 2016, and all taxpayer of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax.

According to the *Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates* (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on 4 April 2018 and became effective on 1 May 2018, where a taxpayer engages in value-added tax taxable sales activities or import of goods, the previous applicable value-added tax rates of 17% and 11% are adjusted to be 16% and 10% respectively.

According to the *Announcement on Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》), which was promulgated on 20 March 2019 and became effective on 1 April 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

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Enterprise Income Tax

Pursuant to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), the “**EIT Law**”) promulgated on 16 March 2007, amended on 24 February 2017 and 29 December 2018 (the latest amendment was implemented from 29 December 2018) and the *Implementation Regulations for the Corporate Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) enacted on 6 December 2007 and amended on 23 April 2019, taxpayers consist of 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 but whose actual administration is conducted in the PRC. Non-resident enterprises refers to enterprises that are established in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Laws and relevant implementing regulations, a unified enterprise income tax rate of 25% is applicable.

The *Notice on Corporate Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries* (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), the “**Ministry of Finance Circular 27**”), which was promulgated by the Ministry of Finance and the SAT on 20 April 2012 and effected from 1 January 2011 and revised by the *Notice on Issues Relating to the Preferential Policies for Enterprise Income Tax in Software and Integrated Circuits Industry* (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》) on 4 May 2016, provide that, upon certification, eligible software enterprises shall be exempt from the enterprise income tax for the first two years of the preferential period, and will be allowed a 50% tax reduction at a statutory rate of 25% for the next three years until the expiration of the preferential period. The preferential period starts from the first profitable year before 31 December 2017.

According to the *Notice the Ministry of Finance and the State Administration of on Preferential Policies of Enterprise Income Tax in Two Special Economic Development Zones in Kashgar and Horgos, 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》) issued and implemented on 29 November 2011, from 1 January 2010 to 31 December 2020, enterprises newly established in two special economic development zones, Kashgar and Horgos, which fall within the scope of the *Catalogue of Preferential Income Taxes for Enterprises Focusing on Encouraging the Development of Industries in Difficult Areas of Xinjiang (trial version)* (《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)》), shall be exempted from enterprise income tax within five years from the tax year in which they receive the first production and operation income.

REGULATORY OVERVIEW

Pursuant to the *Agreement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the “**Tax Treaties**”) issued by the SAT on 21 August 2006, amended on 30 January 2008, 27 May 2010, 1 April 2015 and 19 July 2019, PRC resident enterprises shall pay enterprise income tax in accordance with PRC law when distributing dividends to their Hong Kong shareholders and 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds directly no less than 25% of the capital of the PRC company. According to the *Notice of the State Administration of Taxation on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued on 20 February 2009, the proportion of the capitals of the Chinese resident company directly owned by the Hong Kong shareholders shall, at any time within the consecutive 12 months before obtaining dividends, satisfy the provisions on the proportion prescribed in the tax treaty.

In addition, the SAT issued the Announcement of the State Administration of Taxation on Promulgation of the “*Administrative Measures on Entitlement of Non-residents to Treatment under Treaties*” (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》) on 14 October 2019. According to this announcement, non-resident taxpayers which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to follow-up administration by the tax authorities.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW OF BUSINESS DEVELOPMENT HISTORY AND BUSINESS MILESTONES

Our history can be traced back to December 2015 when our founders, Mr. Dong, Mr. Yang and Ms. Gao, established Shenzhen Bright Future for the operation of mobile advertising business. Mr. Dong, Mr. Yang, Ms. Gao, as well as Mr. Cen, our chief operating officer, all had years of experience working in the internet industry, and have been our managerial personnel since our inception. Please refer to the section headed “Directors and senior management” of this prospectus for their biographical details.

Since January 2017, we have obtained the status of the core advertising agent from an increasing number of media publishers. As at 31 December 2017, 2018 and 2019, we were the core advertising agent recognised by three, seven and 11 media publishers, respectively.

Set out below is our Group’s key milestones:

Date	Event
Late 2015	Establishment of Shenzhen Bright Future, our main operating subsidiary
January 2017	Became core advertising agents for three media publishers, which operate (i) a web browser and application store; (ii) an operating system which manages the applications and programs in different devices, which is developed and operated by a group company of a Chinese conglomerate, specialising in e-commerce, retail, internet and technology; and (iii) an app store developed and operated by a leading mobile phone manufacturer of the PRC
March 2017	Completion of the acquisition of Shenzhen Lindu
April 2017	Establishment of Shenzhen Bright Future Beijing Branch
September 2017	Establishment of Khorgas Velocity Network
February to October 2018	Became the core advertising agents for four additional media publishers which, among others, operate (i) a mobile content discovery platform; (ii) a free peer-to-peer wifi sharing platform; and (iii) a mobile performance-based advertising platform
December 2019	Recognised as the core advertising agents by 11 media publishers

CORPORATE HISTORY

Corporate history of Shenzhen Bright Future

Shenzhen Bright Future was established as a limited company in the PRC by Ms. Gao on 28 December 2015, with an initial registered share capital of RMB1.0 million, which was fully-paid by Ms. Gao, who is the spouse of Mr. Dong, on 8 September 2016. As confirmed by Ms. Gao, Mr. Dong and Mr. Yang, the initial share capital of RMB1.0 million was contributed from the fund of Mr. Dong and Mr. Yang, with Mr. Dong beneficially owned 67.0% of the share capital of Shenzhen Bright Future, which was held under the sole name of Ms. Gao, while the remaining 33.0% was held on trust by Ms. Gao for Mr. Yang. Mr. Yang paid Ms. Gao RMB0.33 million by cash on or around 1 September 2016 for the purpose of paying of his share of the initial registered share capital of Shenzhen Bright Future.

Mr. Dong and Mr. Yang were acquainted for years. They both worked in subsidiaries of Tencent during the period from 2011 to 2015 before Mr. Yang founded Shenzhen Zhuazhua Technology Co., Ltd* (深圳爪爪科技有限公司) in April 2015, which Mr. Dong joined in August 2015. At the time of establishing Shenzhen Bright Future, while Mr. Dong and Mr. Yang were optimistic on the mobile advertising market in China, they also considered other career opportunities, which included any potential employment at renowned technology companies, as a backup plan in case Shenzhen Bright Future was unable to develop in the manner as initially expected. Such employment opportunities may possibly restrict or prohibit them to operate business other than the employment. In light of this, Mr. Dong, Mr. Yang and Ms. Gao agreed to establish Shenzhen Bright Future by Ms. Gao on trust for both Mr. Dong and Mr. Yang as she is the spouse of Mr. Dong and she has experiences in the internet technology industry in China. As confirmed by Mr. Dong and Mr. Yang, except their positions with Shenzhen Zhuazhua Technology Co., Ltd*, both Mr. Dong and Mr. Yang did not take up any other employment or business engagement when they were managing the business of Shenzhen Bright Future through the trust agreement with Ms. Gao.

Since the establishment of Shenzhen Bright Future, each of Mr. Dong, Mr. Yang and Ms. Gao was heavily involved in the business development and operations of Shenzhen Bright Future. After operating for a year by Mr. Dong, Mr. Yang and Ms. Gao and having considered the fast growing momentum of Shenzhen Bright Future, Mr. Dong and Mr. Yang decided to stick their career with Shenzhen Bright Future. On 20 March 2017, Ms. Gao transferred 67.0% and 33.0% of the equity interest of Shenzhen Bright Future to Mr. Dong and Mr. Yang respectively at a nominal consideration of RMB1.0 each, with an aim to reflect the actual shareholding interests of Mr. Dong and Mr. Yang at Shenzhen Bright Future. Since then, the trust arrangement between Mr. Dong, Mr. Yang and Ms. Gao at Shenzhen Bright Future was terminated. As confirmed by the PRC Legal Advisers, the said trust arrangement was valid under PRC law, and the termination of the same as well as the subsequent transfer of share capital of Shenzhen Bright Future had been properly and legally completed and settled.

On 22 June 2017, the registered share capital of Shenzhen Bright Future was increased to RMB3.0 million, which the additional share capital of RMB2.0 million was full-paid by Mr. Dong and Mr. Yang proportionate to their shareholding percentage.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 5 November 2018, Mr. Dong and Mr. Yang transferred 67.0% and 33.0% of the paid-up share capital of Shenzhen Bright Future to Huzhou Bright Future, as the consideration for paying up the entire registered share capital of Huzhou Bright Future of approximately RMB30.06 million. As advised by our PRC Legal Advisers, such transfer of share capital of Shenzhen Bright Future had been properly and legally completed and settled. Since then, Shenzhen Bright Future become a wholly-owned subsidiary of Huzhou Bright Future.

The principal business of Shenzhen Bright Future is the provision of mobile advertising agency services. As at the Latest Practicable Date, its subsidiaries include Shenzhen Lindu and Khorgas Velocity Network. It also set up Shenzhen Bright Future Beijing Branch in April 2017 to facilitate the business liaison with customers located in Beijing.

Corporate history of Shenzhen Lindu

Shenzhen Lindu was established as a limited company in the PRC by Mr. Yin Chuanzhi (尹傳志), an Independent Third Party. The initial registered share capital of Shenzhen Lindu was RMB1.0 million, which was full-paid in October 2014. The registered share capital of Shenzhen Lindu was increased to RMB10.0 million in September 2016.

Acquisition of Shenzhen Lindu by Shenzhen Bright Future

On 13 October 2016, Mr. Yin Chuanzhi, Mr. Dong and Mr. Huang Xiaowu (黃曉燭), an employee of our Group, entered into an agreement, pursuant to which Mr. Yin Chuanzhi would transfer 99% and 1% of the registered share capital of Shenzhen Lindu to Mr. Dong and Mr. Huang Xiaowu respectively, both at a nominal consideration of RMB1.0. Mr. Yin Chuanzhi is the founder of Shenzhen Lindu, which was established in 2014 with Mr. Yin's own fund. The initial purpose of setting up Shenzhen Lindu was the development of mobile applications and software. Mr. Yin agreed to dispose of his interest in Shenzhen Lindu as it was loss-making, and he acquainted Mr. Dong during the course of Shenzhen Lindu's operation. Mr. Huang Xiaowu is an employee of our Group nominated by our Group, together with Mr. Dong, to acquire the equity interest in Shenzhen Lindu. The consideration was in nominal value as Shenzhen Lindu was having a negative net asset value and was having a loss of approximately RMB0.1 million from 1 January 2016 to 13 October 2016. We acquired Shenzhen Lindu because of its longer operating history and larger registered capital which would facilitate us to procure new customers as operating history and registered capital are one of the criteria of some customers on selecting mobile advertising companies. The acquisition of Shenzhen Lindu therefore would allow us to expand our customer base, which contributed to the growth in our revenue during the Track Record Period. On 20 March 2017, Mr. Dong and Mr. Huang Xiaowu further transferred the entire share capital of Shenzhen Lindu to Shenzhen Bright Future both at a nominal consideration of RMB1.0. The consideration was in nominal value as the transfer was merely terminating the nominee arrangement among our Group, Mr. Dong and Mr. Huang Xiaowu.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The acquisition of Shenzhen Lindu would allow us to own the mobile application and the database associated with it, which was owned by Shenzhen Lindu. Therefore, we considered that the acquisition was beneficial to our business as a whole. The database acquired was assessed to worth approximately RMB0.5 million as at 13 October 2016. Whereas, the mobile application enabled users to meet people online and publish personal posts. Such mobile applications have not been operating since the acquisition of Shenzhen Lindu, and did not make any revenue contribution to our Group during the Track Record Period. As advised by our PRC Legal Advisers, the acquisition of Shenzhen Lindu by Shenzhen Bright Future had been properly and legally completed and settled.

On 2 August 2017, the registered share capital of Shenzhen Lindu was changed to RMB5.0 million. On 4 January 2019, the increase in registered share capital of Shenzhen Lindu was fully paid by Shenzhen Bright Future.

The principal business of Shenzhen Lindu is provision of mobile advertising agency services and providing the support for research and development of computer and internet technology to our Group.

The acquisition of Shenzhen Lindu in October 2016 constituted a major transaction should we have been a listed issuer of the Stock Exchange at the time of the acquisition. Shenzhen Lindu generated post-acquisition revenue of approximately RMB1.01 million and net profit of approximately RMB0.45 million for the period from 14 October 2016 to 31 December 2016.

Shenzhen Lindu contributed revenues in the amount of approximately RMB43.0 million, RMB78.1 million, RMB117.5 million and RMB66.7 million, with net profits of approximately RMB10.1 million, RMB14.2 million, RMB23.3 million and RMB16.9 million for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

Corporate history of Khorgas Velocity Network

Khorgas Velocity Network was established as a limited company in the PRC by Shenzhen Bright Future on 12 September 2017. The initial registered share capital of Khorgas Velocity Network was RMB3.0 million. On 27 November 2018, the registered share capital of Khorgas Velocity Network was fully paid by Shenzhen Bright Future. The principal business of Khorgas Velocity Network is provision of mobile advertising agency services. Khorgas Velocity Network was set up for our Group's presence at Khorgas, Xinjiang province.

Corporate history of Huzhou Bright Future

Huzhou Bright Future was established as a limited company in the PRC by Mr. Dong and Mr. Yang on 25 October 2018. The initial registered share capital of Huzhou Bright Future was RMB30.06 million, which was owned as to 67% by Mr. Dong and 33% by Mr. Yang. On 5 November 2018, the registered share capital of Huzhou Bright Future was fully paid by Mr. Dong and Mr. Yang by way of transferring 67% and 33% of the paid share capital of Shenzhen

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Bright Future held by them respectively to Huzhou Bright Future. The principal business of Huzhou Bright Future is provision of mobile advertising agency services. Huzhou Bright Future was set up for our Group's presence at Huzhou, Zhejiang province.

PRE-IPO INVESTMENTS

For the benefits of our long term business development and expansion of our Group, we introduced Mr. Zhu (together with City Energy) as our pre-IPO investor. Mr. Zhu (together with City Energy) invested into our Group through two tranches of investment.

Background and overview of the Pre-IPO Investments

During the course of the preparation of the Listing, our Group intended to introduce a strategic investor who would provide us with contributions to the success of the Listing. In around September 2018, we negotiated with Mr. Zhu, who has extensive experience and knowledge in the capital market of Hong Kong, concerning the Pre-IPO Investments. As a commercial negotiation between Mr. Zhu and us after taking into account the associated investment risks at the material time before Mr. Zhu obtaining comprehensive information of our Group, it was agreed among Mr. Zhu and us that the Pre-IPO Investments will be made through two tranches. The first tranche of the Pre-IPO Investments was made in November 2018 in a small investment amount of approximately RMB0.3 million, so as to secure Mr. Zhu as the pre-IPO investor while allowing Mr. Zhu to have more time to conduct due diligence over our Group, and which valuation was determined with reference to the net asset value of Huzhou Bright Future and its subsidiaries in November 2018. Furthermore, a shareholder's loan was provided by Mr. Zhu concurrently with Mr. Dong and Mr. Yang to us in proportion to their respective shareholdings as our general working capital and this loan was capitalised in December 2018. In February 2019, the second tranche of the Pre-IPO Investments was made upon, among others, the unaudited financial information of our Group for the year ended 31 December 2018 was available to Mr. Zhu and the completion of the material steps for the Reorganisation. The second tranche of the Pre-IPO Investments was conducted by way of issuance of our new Shares such that majority of the Pre-IPO Investments was contributed to us as our general working capital. As such, the two tranches of investments together with the capitalised shareholder's loan, in an aggregate amount of approximately HK\$7.7 million, were regarded as the Pre-IPO Investments as a whole.

Investment to Huzhou Bright Future and our Company by Mr. Zhu

On 6 November 2018, Mr. Yang transferred 1.0% of the share capital of Huzhou Bright Future to Mr. Zhu at a consideration of RMB300,598 (equivalent to approximately HK\$0.35 million), which was determined based on the net asset value of Huzhou Bright Future in November 2018 in the approximate amount of RMB30.0 million as assessed by an independent third-party valuer. The consideration for the transfer was determined based on arm's length negotiations between Mr. Yang and Mr. Zhu with regard to the net asset value of Huzhou Bright Future and its subsidiaries in November 2018, on the basis that (i) the investment was made prior to the release of the financial information of our Group for the year ended 31 December

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2018; (ii) Mr. Zhu had not completed the due diligence against our Group at the time of such investment; (iii) it was an investment on a privately owned company, which was not publicly transferrable, and material approval for the Reorganisation had not been obtained at that time, which posed uncertainties to the investment of Mr. Zhu; and (iv) Mr. Zhu had no preferential right before and after the Listing. As advised by the PRC Legal Advisers, the transfer of 1.0% of the registered share capital of Huzhou Bright Future had been properly and legally completed and settled. After Mr. Zhu became a shareholder of Huzhou Bright Future, City Energy (concurrent with the shareholder's loan provided by Mr. Dong and Mr. Yang via Brilliant League and Highland Triumph, respectively) provided us a shareholder's loan in the amount of HK\$0.35 million which was subsequently capitalised in late 2018. Such shareholder's loan was capitalised on 18 December 2018, by allotting and issuing one share of Dragon Hero in favour of Fong De, and Mr. Zhu's beneficial interest in our Group remained unchanged as a result.

On 12 February 2019, City Energy (a company wholly-owned by Mr. Zhu) and our Company entered in the Share Subscription Agreement pursuant to which City Energy agreed to subscribe, and our Company agreed to allot and issue, 200 new US\$ Shares (representing 2.0% of the issued share capital of our Company immediately prior to the allotment and 1.96% of the issued share capital of our Company as enlarged by such allotment) at a subscription price of HK\$7.0 million, which was determined based on an agreed price-to-earnings ratio of our Group of approximately 5.95 times (as calculated based on the preliminary financial information available by that time). The terms of the Share Subscription Agreement, including the subscription price, were determined based on arm's length negotiations with reference to (i) the financial performance of our Group for the year ended 31 December 2018 based on the management account; (ii) the due diligence conducted in relation to, among others, the business operations, financial and legal compliance positions of our Group; (iii) the future business prospect of our Group; and (iv) the overall investment costs of Mr. Zhu and City Energy (i.e. including the shareholder's loan provided by City Energy to Huzhou Bright Future, which had been capitalised) to our Group.

The two tranches of investment and the capitalised shareholder's loan by Mr. Zhu, in an aggregate amount of approximately HK\$7.7 million, are regarded as the Pre-IPO Investments as a whole. The gross proceeds received by our Group under the Pre-IPO Investments was approximately HK\$7.4 million.

Please refer to the paragraphs headed "Particulars of the Pre-IPO Investments" in this section for more details of the Pre-IPO Investments. As at the Latest Practicable Date, all of the gross proceeds from the Pre-IPO Investments received by our Group have been utilised by us as general working capital of our Group. Upon completion of the Pre-IPO Investments and the Reorganisation, City Energy will be interested in 300 US\$ Shares (later changed to 23,400 Shares) representing approximately 2.94% of the issued share capital of our Company immediately prior to the Share Offer and 2.21% of the issued share capital of our Company upon completion of the Capitalisation Issue and Share Offer, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options granted under the Share Option Scheme.

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Information of Mr. Zhu and City Energy

City Energy is a company incorporated in the BVI with limited liability by shares and its principal business activity is investment holding. As at the Latest Practicable Date, the entire issued share capital of City Energy was held by Mr. Zhu.

Mr. Zhu has more than 16 years of experience in corporate finance, investment and management, and is currently the director of Goldlink Capital, which holds a licence to carry on type 6 regulated activity as defined in the SFO i.e. advising on corporate finance, which also acted as the financial adviser to our Company under the Listing. Currently, Mr. Zhu is a responsible officer of Goldlink Capital, Goldlink Securities Limited and Goldlink Asset Management (Asia) Limited, and these entities are licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO. Mr. Zhu was also a senior personnel of listed companies and has extensive experience on managing companies listed on recognised stock exchanges. From 20 October 2005 to 27 December 2017, Mr. Zhu was an executive director of United Energy Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0467). Further, since 2003, he has been an executive director of China International Holdings Limited (中翔國際集團有限公司) (formerly known as China Infrastructure Holdings Limited), a company listed on the Singapore Stock Exchange (CHIH:Singapore), the main business of which is water treatment and distribution in the PRC.

Through Mr. Chen Danqin (陳丹欽), the former director of China Goldlink Capital Group Limited, Mr. Zhu acquainted with Mr. Dong and Mr. Yang in or around June 2018 and commenced the discussion about the listing plan of our Group. With the licensed qualification of Goldlink Capital and the business network and experiences of Mr. Zhu and his team member involved, we engaged Goldlink Capital and Goldlink Huize in September 2018 to provide financial advisory services and consultancy services with an aim to assist our Group to implement our Listing plan. Meanwhile, Mr. Zhu also expressed his interests in investing in our Group through the Pre-IPO Investments, and we negotiated with Mr. Zhu on the terms of the Pre-IPO Investments at the same time. The Pre-IPO Investments of Mr. Zhu were made through two tranches in November 2018 and subsequently in February 2019. At the time of the engagement of Goldlink Capital and Goldlink Huize and the Pre-IPO Investments, Goldlink Capital and Goldlink Huize were both indirectly wholly-owned by Mr. Zhu. Given the abovementioned, there is a mutual aim and benefit for all of Mr. Zhu, Goldlink Capital, Goldlink Huize and our Group to act in the interests of our Group for the result of the Listing. Moreover, the provision of services by Goldlink Capital were mainly handled by a responsible officer of Goldlink Capital, and Mr. Zhu was not a responsible officer of Goldlink Capital when we engaged Goldlink Capital and at the time of the first tranche of the Pre-IPO Investments. For Goldlink Huize, the provision of consultancy services were mainly handled by a team member with audit experience relating to listed companies. Therefore, Mr. Zhu had limited personal involvement in the provision of financial advisory and consultancy services to us by Goldlink Capital and Goldlink Huize. Based on the above, to the best knowledge of our Directors, we are of the view that notwithstanding the involvement of Goldlink Capital and Goldlink Huize in our Listing, the Pre-IPO Investments would not have any conflict of interest issue and they complied with all the relevant rules and regulations (including relevant code of conducts and rules under the SFO) as well as internal compliance guidelines of Goldlink Capital and Goldlink Huize.

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Goldlink Capital provided us with services which included (i) assisting in setting up Brilliant League and Highland Triumph in the British Virgin Islands for Mr. Dong and Mr. Yang, our Company in the Cayman Islands and Dragon Hero in Hong Kong; (ii) referring Brilliant League, Highland Triumph and Dragon Hero to banks for opening their bank accounts in Hong Kong; (iii) introducing to our Company, seeking fee quotations from professional parties on behalf of our Company and coordinating the communications between them; (iv) assisting in the completion of the Reorganisation; and (v) participating in the weekly meetings with professional parties and our Group. Goldlink Huize provided us with services which included (i) performing preliminary study on our Group to assess the possibility of getting our Group listed in Hong Kong; (ii) providing services to our Group, in particular, advising and providing guidance on the information as requested by different professional parties for the Listing purposes; (iii) assisting our Group in consulting relevant governmental authorities in Shenzhen and Huzhou in respect of the Reorganisation and assisting in completion of the Reorganisation; and (iv) participating in the weekly meetings with professional parties and our Group.

Goldlink Capital shall be entitled to a service fee of HK\$500,000, whereas Goldlink Huize shall be entitled to a service fee of RMB900,000. Such service fees were determined under arms-length negotiations with reference to (i) the expected manpower and resources to be involved for the provision of the financial advisory services and consultancy services to us; (ii) the expertise of Goldlink Capital, Goldlink Huize and the key personnel involved; and (iii) the time requested for the provision of the aforesaid services, which is on-going since the date of engagements up to the Listing. Based on the aforesaid, in particular the valued-added services provided by Goldlink Capital and Goldlink Huize during the Listing process up to the Latest Practicable Date, our Directors consider that the service fees charged by Goldlink Capital and Goldlink Huize are reasonable and justifiable.

Benefits of the Pre-IPO Investments

Our Directors are of the view that our Group can benefit from the Pre-IPO Investments not only for improving the working capital position of our Group, but also benefit from diversifying our Shareholder base. Admitting City Energy and Mr. Zhu as our Shareholder will allow our Group be benefited from the experiences and business network of Mr. Zhu in the financial and capital market in Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Particulars of the Pre-IPO Investments

The following table summarises the principal terms the Pre-IPO Investments and the particulars on Mr. Zhu's and City Energy's investment in our Company:

Date of agreements	6 November 2018 and 12 February 2019
Name of pre-IPO investor	City Energy (Mr. Zhu as the sole beneficial owner)
Amount of total investment	approximately HK\$7.7 million
Gross proceeds received by our Group	approximately HK\$7.4 million (after deduction of approximately RMB0.3 million received by Mr. Yang)
Completion Date of the Pre-IPO Investments	14 February 2019
Cost per Share	approximately HK\$0.7
Discount to the Offer Price	approximately 30.0% to the low-end of Offer Price range and approximately 36.4% to the high-end of Offer Price range
Lock-up period	The pre-IPO investor is subject to a lock-up period of six months commencing from the Listing Date.
Shareholding in our Company upon Listing (<i>note</i>)	11,025,000 Shares representing approximately 2.2% of the total issued shares of our Company immediately after the completion of the Capitalisation Issue and Share Offer. The Shares held by City Energy will be counted towards the public float upon the Listing for the purpose of Rule 8.08 of the Listing Rules.
Special rights	City Energy is not entitled to any special right in relation to Huzhou Bright Future, Shenzhen Bright Future, our Company or any other members of our Group.

Note: assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options granted under the Share Option Scheme

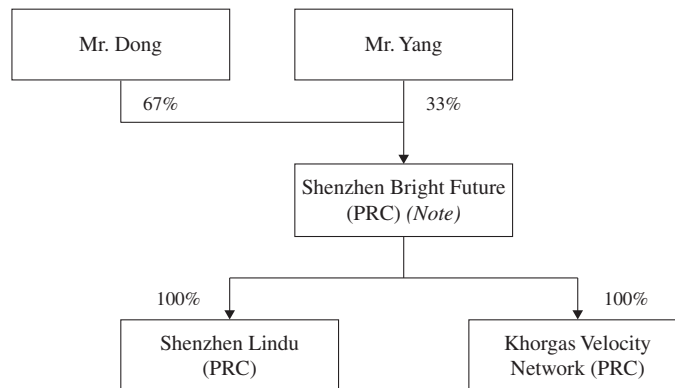
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Sole Sponsor's confirmation

The Sole Sponsor is of the view that the terms of the Pre-IPO Investments are in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange in January 2012 (updated in March 2017), as the consideration for the Pre-IPO Investments was settled for more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange in relation to the Listing; and (ii) the Guidance Letter HKEx-GL43-12 (issued in October 2012 and updated in July 2013 and March 2017), as City Energy and/or Mr. Zhu are not granted any special rights contradictory to the provisions of the said guidance letter whereas the Guidance Letter HKEx-GL44-12 is not applicable.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The corporate structure of our Group prior to the Reorganisation was as follow:



Note: Shenzhen Bright Future has established a sub-branch, namely Shenzhen Bright Future Beijing Branch, in April 2017.

REORGANISATION

Step 1: Reorganisation of onshore entities

Huzhou Bright Future was established as a limited company in the PRC by Mr. Dong and Mr. Yang on 25 October 2018. On 5 November 2018, Mr. Dong and Mr. Yang transferred 67% and 33% of their respective equity interest in Shenzhen Bright Future in favour of Huzhou Bright Future for paying up Huzhou Bright Future's registered share capital. On 6 November 2018, Mr. Yang transferred 1% of the equity interest of Huzhou Bright Future to Mr. Zhu under the Pre-IPO Investments.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 2: Incorporation of our Company and establishment of other offshore entities

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 November 2018 to act as the ultimate holding company of our Group. The initial authorised share capital of our Company was USD50,000 divided into 50,000 US\$ Shares of USD1.0 each. On the same day, one subscriber US\$ Share was issued and allotted to Vistra (Cayman) Limited, the nominee of the company secretarial service provider, and such subscriber US\$ Share was transferred to Brilliant League at par on the same day, which is in turn wholly-owned by Mr. Dong. On 8 November 2018, 6,699 US\$ Shares and 3,300 US\$ Shares were issued to Brilliant League and Highland Triumph (which is in turn wholly-owned by Mr. Yang) respectively.

Fong De was incorporated in the BVI on 9 October 2018 with limited liability. It was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 14 November 2018, 100 shares of Fong De was allotted and issued to our Company, Fong De then became the wholly-owned subsidiary of our Company.

Dragon Hero was incorporated under the laws of Hong Kong on 28 September 2018 with limited liability. On 28 September 2018, one share of Dragon Hero, representing the then entire issued share capital of Dragon Hero, was issued and allotted to GRL 18 Nominee Limited, the nominee of the company secretarial service provider, which was subsequently transferred to Mr. Dong on 6 November 2018 and then to Fong De on 22 November 2018, both at a nominal value of HK\$1.0.

The aforementioned share transfers and allotment were properly and legally settled and completed, and since 22 November 2018, Dragon Hero became the indirectly wholly-owned subsidiary of our Company through Fong De.

Step 3: Acquisition of entire issued shares of Huzhou Bright Future by Dragon Hero

On 14 December 2018, Mr. Dong, Mr. Yang and Mr. Zhu transferred the entire issued share capital of Huzhou Bright Future to Dragon Hero, at a consideration of approximately RMB30.06 million determined based on the registered share capital of Huzhou Bright Future amounting to approximately RMB30.06 million as of 9 November 2018. This consideration paid to Mr. Dong, Mr. Yang and Mr. Zhu with respect to the acquisition of Huzhou Bright Future by Dragon Hero as part of the Reorganisation was accounted for as deemed distribution to the shareholders of the Company. As advised by our PRC Legal Advisers, the said share transfer was properly and legally completed and settled. Huzhou Bright Future and its subsidiaries became the indirectly wholly-owned subsidiaries of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 4: Further changes in the authorised share capital of our Company and issued share capital of our Group

- (i) On 26 November 2018, Highland Triumph transferred 100 US\$ Shares to City Energy (which is in turn wholly-owned by Mr. Zhu) at par value of US\$1.0 each to reflect Mr. Zhu's interest in Huzhou Bright Future;
- (ii) On 18 December 2018, Dragon Hero allotted and issued one share at a nominal value of HK\$1.0 in favour of Fong De for the purpose of capitalising a shareholder's loan of HK\$35.0 million;
- (iii) On 12 February 2019, our Company allotted and issued 200 US\$ Shares in favour of City Energy pursuant to the completion of the Share Subscription Agreement; and
- (iv) The par value of our shares was re-denominated from USD1.0 to HK\$0.1 each on 8 April 2019, resulting in a change of the authorised share capital of our Company to HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. Subsequent to the re-denomination of the par value of our Shares, 522,600 Shares, 249,600 Shares and 23,400 Shares were owned by Brilliant League, Highland Triumph and City Energy respectively.

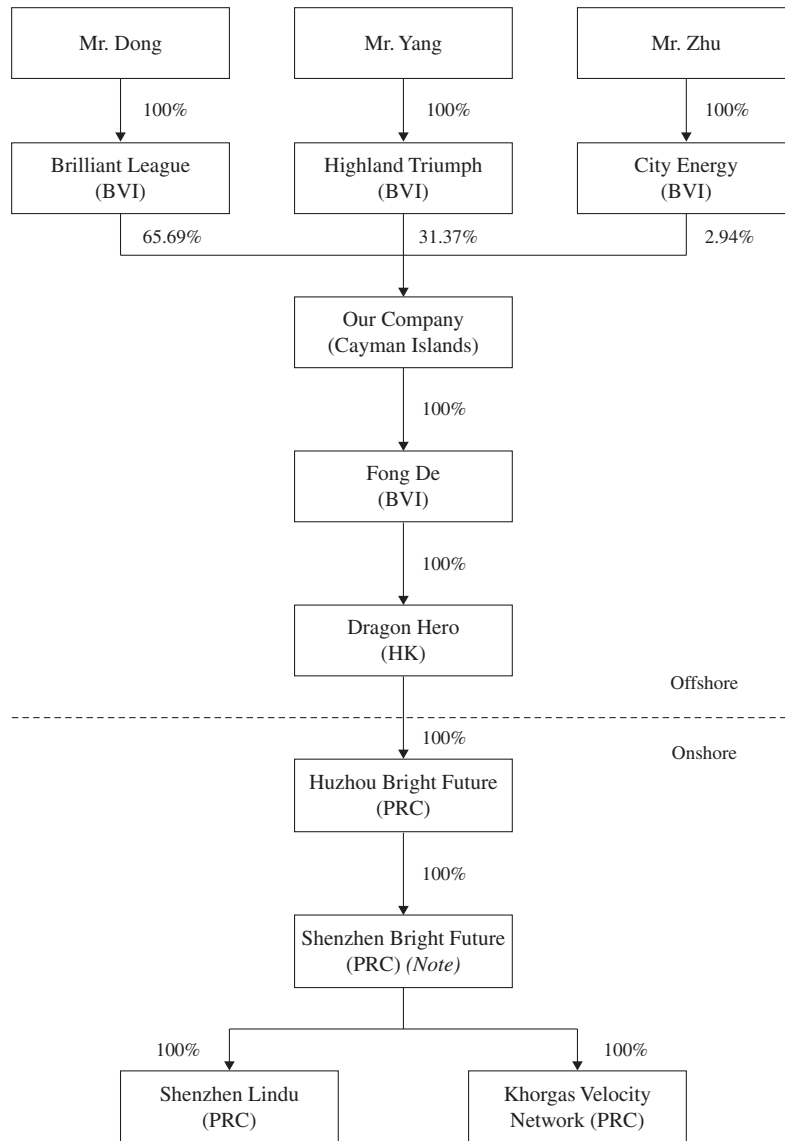
Step 5: Increase in authorised share capital and Capitalisation Issue

On 16 October 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.1 each. Conditional on the share premium account of our Company being credited with the proceeds from the Share Offer, HK\$37,420,440 will be capitalised from the share premium account and applied in paying up in full 245,801,400, 117,396,400, and 11,006,600 Shares of our Company which will be allotted and issued to Brilliant League, Highland Triumph and City Energy respectively immediately before the Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The corporate structure of our Group after completion of the Reorganisation but before the Capitalisation Issue and Share Offer was as follow:

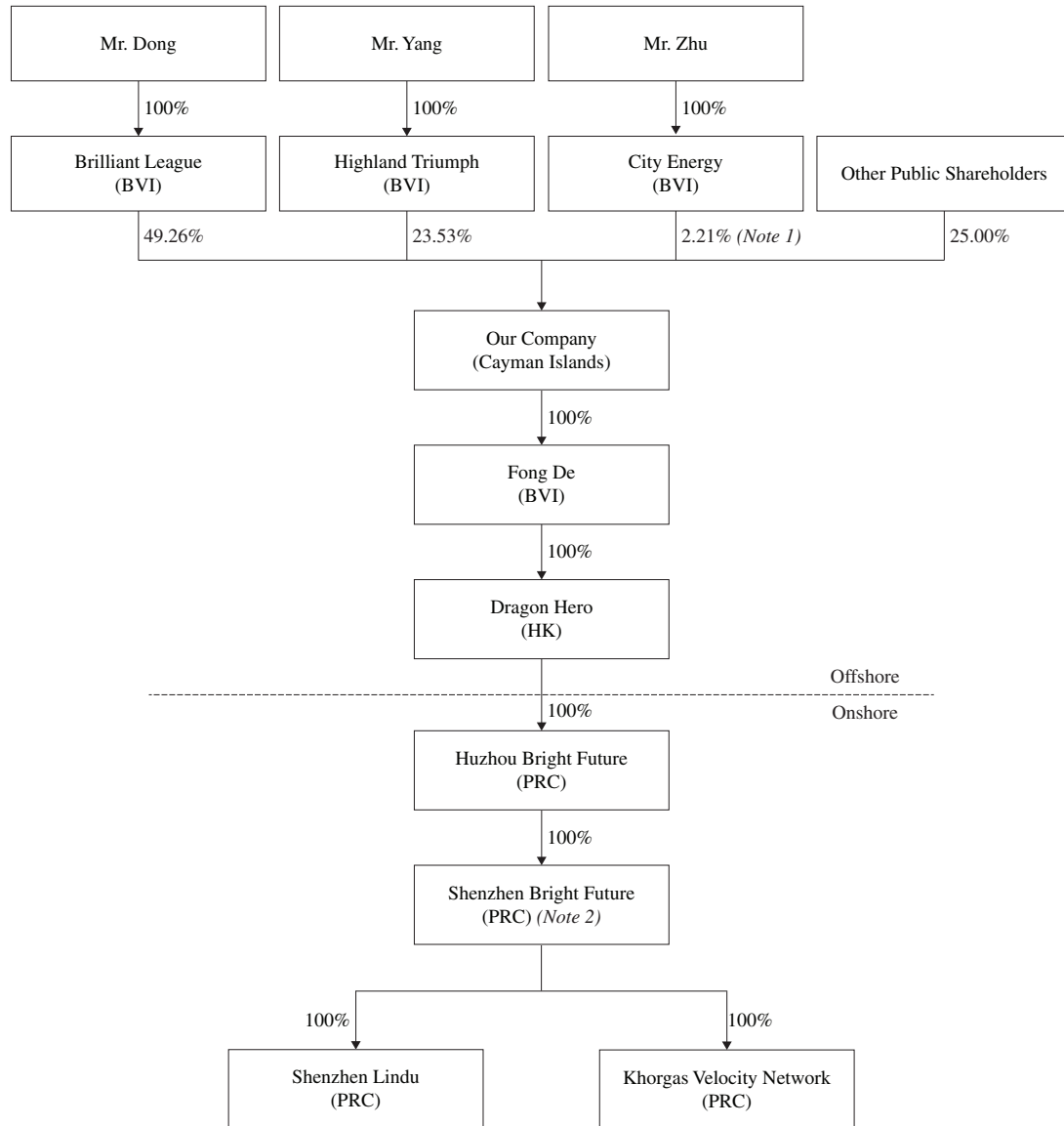


Note: Shenzhen Bright Future has established a sub-branch, namely Shenzhen Bright Future Beijing Branch, in April 2017.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shareholding structure immediately after the completion of the Capitalisation Issue and Share Offer

The following chart sets out the shareholding structure of our Group immediately after the Capitalisation Issue and the completion of the Share Offer, assuming the Over-allotment Option is not exercised and there is no exercise of any options which may be granted under the Share Option Scheme:



Notes:

- (1) The Shares held by City Energy will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.
- (2) Shenzhen Bright Future has established a sub-branch, namely Shenzhen Bright Future Beijing Branch, in April 2017.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Relationships among our Shareholders

As confirmed under a confirmatory deed dated 8 April 2019 by Mr. Dong and Mr. Yang, they have been parties acting in concert under the meaning of the Takeovers Code since the establishment of Shenzhen Bright Future, and they have the intention to continue the acting in concert arrangement upon Listing, until the termination of such arrangement in writing. Therefore, all of Mr. Dong, Mr. Yang, Brilliant League and Highland Triumph, will become a group of Controlling Shareholders of our Company upon the Listing.

PRC LEGAL COMPLIANCE

The Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies

The Circular 37 requires a PRC individual resident (the “**PRC Resident**”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Offshore SPV**”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. 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 Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division.

On 13 February 2015, SAFE released the Notice 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**”), which became effective from 1 June 2015 and was amended on 30 December 2019. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under Circular 37.

Mr. Dong and Mr. Yang are residents of the PRC and are subject to the requirements under the Circular 37. The PRC Legal Advisers confirmed that the necessary foreign exchange registration under the Circular 13 and the Circular 37 were completed on 28 November 2018.

The PRC Legal Advisers further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation have been obtained.

Merger and Acquisition Rules

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

Our PRC Legal Advisers are of the opinion that (i) at the time when the acquisition of the 1% equity interest in Huzhou Bright Future by Mr. Zhu took place, Mr. Zhu was a citizen of Hong Kong and was not a domestic natural person under the M&A Rules and thus the acquisition does not constitute and should not be deemed to be a transaction requiring approvals from MOFCOM or CSRC under the M&A Rules; and (ii) at the time when the acquisition of the 100% equity interest in Huzhou Bright Future by Dragon Hero took place, Huzhou Bright Future was a sino-foreign joint venture company. According to the Foreign Investment Access Management Guidance Manual (外商投資准入管理指引手冊) promulgated by MOFCOM in 2008, the transfer of equity interest of an established sino-foreign joint venture company from its domestic shareholder to foreign investor is not subject to the M&A Rules. Therefore, the acquisition of 100% equity interest in Huzhou Bright Future is not subject to the M&A Rules or the approval of MOFCOM or CSRC. Huzhou Bright Future has obtained all necessary approvals from the competent authorities with respect to the aforementioned acquisitions. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented, and whether the relevant PRC government authorities will reach the same conclusion as our PRC Legal Advisers.

REASONS FOR LISTING

Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further particulars of the reasons for the Listing.

OVERVIEW

We are a mobile advertising company offering one-stop and tailor-made advertising services to customers in China. We offer customers with comprehensive mobile advertising services from promotion planning, advertisement production and placement to post-publication monitoring with an aim to optimise the promotional effectiveness for our customers. Our customers have advertising needs at mobile internet media, either for maximising exposure of their products through advertising, or to achieve specific advertising results. According to the F&S Report, as an industry norm, advertisers of mobile advertising usually do not directly liaise with media publishers, since the latter usually do not maintain a large team of manpower to handle advertisement placement requests, and it is not cost-effective for advertisers to reach out various media publishers for mobile advertising on their own. Therefore, these advertisers usually engage mobile advertising companies to handle the advertisement placements.

As a mobile advertising company, we provide two types of mobile advertising services, namely the intermediary services and the precision advertising services. For our intermediary services, we connect our customers with media publishers to arrange the publication of our customers' advertisements at media publishers with an aim to maximise the exposure of their advertisements. For our precision advertising services, we reach specific target audience for our customers by advertising with an aim to achieve effective results of the advertisements.

Our services are supported by our self-developed data management platform (DMP), which extracts market data from the public domain. The market data collected enable us to better match the advertisement inventories with our customers' advertising purposes and requirements, so as to optimise the promotional effectiveness of their advertisement placements. Information obtained from our DMP allows us to prepare suitable advertising contents by reviewing, processing and analysing the relevant market data obtained. Our DMP also enables us to track the effectiveness of the advertisements placed and to conduct post-publication evaluation.

Our customers are mostly advertisers that span over different businesses and industries across China, including leading mobile internet enterprises and mobile app developers. Our key customers during the Track Record Period included pioneering and leading information technology conglomerates in China whose securities are listed on recognised stock exchanges, which provide a wide range of products and services including mobile internet services, mobile utilities, financial services, e-commerce and mobile games. These customers include members of leading technology or internet companies in the PRC listed on the Main Board and New York Stock Exchange, respectively having a market capitalisation of approximately HK\$5.1 trillion and US\$688 billion, respectively, as at 31 July 2020. By engaging us to place their advertisements on our media publishers, our customers are able to extend their sales channels to the mobile users.

Our ultimate suppliers are media publishers such as mobile app developers and technology companies which offer us advertisement inventories for the publication of advertisements in applications and programs in multiple mobile devices including mobile phones. We reach these media publishers either directly as their core advertising agents or through other advertising agents.

BUSINESS

With our established supplier base, we are able to put forward advertising proposals with more variety of media publishers to our customers and at a more competitive price. Further, leveraging the extensive market knowledge and experiences of our management and servicing team, we are able to optimise the promotional effectiveness of the advertisements by reaching appropriate target audience through our supplier networks.

We experienced significant growth in revenue from our mobile advertising services with a revenue of RMB281.9 million for the year ended 31 December 2019, as compared to that of approximately RMB254.9 million for the year ended 31 December 2018 and RMB102.6 million for the year ended 31 December 2017 representing a CAGR of approximately 65.8%. Our profits amounted to approximately RMB30.9 million, RMB42.4 million and RMB38.4 million for the three years ended 31 December 2019, respectively. For the four months ended 30 April 2020, we recorded a revenue and profits of approximately RMB115.2 million and RMB24.3 million, as compared to that of approximately RMB77.2 million and RMB8.8 million for the four months ended 30 April 2019, respectively.

Pursuant to the F&S Report, top media publishers usually maintain their own advertising placement system for the purchases of virtual tokens and the bidding of advertisement inventories, thus making the requirement of prepayment to media publishers (in form of purchases of virtual tokens) necessary for procuring advertisement inventories. Thus, prepayments to media publishers accounted for a significant portion of our working capital. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the prepayments to media publishers amounted to approximately RMB18.4 million, RMB67.4 million, RMB67.2 million and RMB67.6 million, respectively, representing approximately 21.2%, 27.1%, 19.9% and 17.7% of our total assets, respectively. The transaction amounts in intermediary services which require prepayments accounted for 64.5%, 77.7%, 94.1% and 80.5% of our total revenue generated from the intermediary services (under the gross basis for revenue recognition) for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. We offer credit period to our customers, ranging from 30 to 150 days, so there is a time lag between the time when we purchase the virtual tokens on behalf of our customers and the time when the customers settle the trade receivables. Such time lag is resulted from the fact that (i) as part of our services to our customers, we usually purchase virtual tokens on behalf of our customers in cash before arranging the bidding of advertisement inventories for our customers; and (ii) our customers are also granted with a credit period from us after publication of advertisements. We only purchase the virtual tokens for our customers on an order by order basis after the advertising orders are confirmed. The volume of virtual tokens so purchased are made with reference to the budget of each advertisement. We experience a mismatch in timing between the purchase of virtual tokens from media publishers and receipt of payment from our customers, which imposes a substantial cash requirements for funding our intermediary services. The scale of our intermediary services is therefore constrained by the working capital we have on hand from time to time and due to the limit in our working capital, we declined some of the advertising orders from customers during the Track Record Period.

For the arrangements of prepayment and the subsequent settlement by our customers, we are exposed to liquidity risk due to the time difference in making prepayment and receiving payment from our customers, which may hinder our ability and sufficiency in working capital

for making prepayments for new advertising orders. We are also subject to the credit risk in our outstanding balance of trade receivables, which is dependent on our customers' credit-worthiness. Although the prepayments made in the form of virtual tokens are generally refundable in cash upon our request, there is no assurance that we may receive the refund of prepayment made to our suppliers in a timely manner. We are therefore also exposed to the risk of default and recoverability risks in refund of prepayment.

Going forward, we intend to expand the scale and scope of our business through (i) further expanding our intermediary services in order to enhance our profitability, competitiveness and market share in the long run; (ii) further expanding our service offerings by further developing advertisement in video format, as well as promoting our mobile advertising services, in particular targeting industries which we had little presence; (iii) continuously engaging in research and development, including improving the coverage, completeness and application of information provided by our DMP and information technology system; and (iv) attaining and retaining high quality employees.

OUR COMPETITIVE STRENGTHS

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

Ability to capture new business opportunities in the growing mobile advertising industry with an established supplier base

We believe that the growth in the mobile advertising market in China is beneficial to our Group as a whole. We are operating in a rapidly growing mobile advertising industry according to the F&S Report. Since our inception, we have established business relationships with a number of media publishers, including top media operated by leading market participants.

We aim to maintain business relationships with a mix of media publishers to cater the diverse advertising needs of our customers so as to expand our intermediary services in the long run. Due to the small business scale and lack of track record in the mobile advertising market at the time when we commenced our business in 2016, we were only able to work with a limited number of media publishers. In particular, as part of our services to customers whereby we normally paid on behalf of customers in advance for purchase of virtual tokens from media publishers, we were only able to focus our capital resources on advertisements placed at some second-tier media publishers. With the development of our business scale and the strengthening of our financial positions with profits generated across time, we have broadened our supplier mix and become competitive enough to expand our intermediary services to place advertisements at the first-tier media publishers. For our intermediary services, we were able to reach four media publishers during 2016 and subsequently 41, 45, 30 and 13 media publishers for placing advertisements for our customers for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, we were the core advertising agents for three, seven, 11 and eight media publishers respectively. In order to be recognised as a core advertising agent by media publishers, we are usually required to satisfy certain requirements, including but not limited to transaction amount, cash-flow, good repute in the industry and/or the project enhancers' ability in enhancing performance of advertisements. In view of the requirements on credibility, our Directors believe that the growth in the number of media publishers recognising us as core advertising agent also bears testament to the quality of our services provided. Such status allows us to have direct access to the media publishers, and enables us to place advertisements at those media publishers on behalf of our customers directly without the need to go through a third party agent. Since our media publishers have different coverage of geographical areas and audience groups, becoming their core advertising agents will allow us to have quick access to diverse advertisement inventories once they become available, thus broadening the potential choice of advertisement inventories for our customers and enabling us to have more alternatives for making recommendations to our customers to better meet their needs and requirements. Therefore, with the increase in the number of media publishers recognising us as their core advertising agent, we are able to bargain for a more preferential discount for virtual tokens procurement, and can in turn offer competitive pricing terms to our customers, in order to capture more business opportunities.

Our Directors believe that having an established supplier base with a mix of media publishers is essential to the business expansion of our intermediary services in the long run. In particular, due to the fast developing mobile advertising industry in China, the popularity of media publishers may change with varying market trends and tastes of audience over time. It is our business strategy to develop and maintain a balanced mix of media publishers, whereby advertisements can be placed at first-tier media publishers with stable and large traffic and high user stickiness as well as second-tier media publishers with relatively positive growth potential. As the advertisers are used to place advertisements over a number of media publishers to reach a wider spectrum of audience, our Directors believe that maintaining a larger mix of media publishers of different tiers could offer our customers with wider choices of media publishers to cater for their different advertising needs, which not only enables us to capture additional business opportunities from the same customer, but also improves our competitiveness among other market players. As such, our Directors believe that this business strategy allows us to promote our revenue growth from our developed customer base and further enhance our market share and profitability in the long run. At the same time, we are able to mitigate our business risks should there be a decline in popularity of media publishers of any tiers, as well as the changing market trends and tastes of audience. During the three years ended 31 December 2019, our gross revenue from intermediary services increased from approximately RMB139.1 million for the year ended 31 December 2017 to RMB523.9 million for the year ended 31 December 2019 and the relevant margin (i.e. the net revenue) increased from approximately RMB21.6 million to RMB45.8 million, respectively. Our gross revenue from intermediary services increased from approximately RMB147.3 million for the four months ended 30 April 2019 to RMB241.9 million for the four months ended 30 April 2020 and the relevant margin increased from approximately RMB11.5 million to RMB23.0 million, respectively. By adopting this business strategy, we have successfully strengthened our customer base. During the Track Record Period, we established business relationships with a number of leading mobile internet conglomerates and recorded increasing transactions with

them. For example, Customer B and Customer F were our top five customers during the year ended 31 December 2019 which placed advertisements at numerous media publishers, including first-tier and second-tier media publishers, through us.

Based on the above, our Directors consider that maintaining a mix of media publishers of different tiers would enable us to (i) enhance and expand our customer base to sizeable advertisers; (ii) reduce our business risks from changing popularity of media publishers and varying market trends and tastes of audience; and (iii) improve our competitiveness in the mobile advertising agency market and thus our market share and profitability in the long run.

For our precision advertising services, we have an established supplier base which can enable the advertisements of our customers to precisely reach a specific niche group of target audience on long to medium tailed media. We believe our supplier network we have can facilitate our customers to achieve specific advertising results from the target audience.

The total number of our suppliers increased from 186 to 400 and 416 for the three years ended 31 December 2019 (including operators of media publishers which recognised us as their core advertising agent and other advertising agents), respectively. For the four months ended 30 April 2020, we had 210 suppliers. We believe that the continuous growth of our suppliers and the expansion in the mobile advertising market in China will result in more demand for advertisements at their media publishers. We further believe that with an established base of suppliers, our Group has a higher chance of gaining market share in the expanding mobile advertising agency market, as we are able to provide more advertising options to the potential customers with our established supplier base.

Quality advertising services and developed customer base

We have rapidly developed our customer base since our commencement of business in 2016. For the three years ended 31 December 2019 and the four months ended 30 April 2020, we have provided mobile advertising services to 279, 469, 592 and 275 customers, respectively. For the three years ended 31 December 2019 and the four months ended 30 April 2020, we had 260, 331, 388 and 78 new customers, respectively. Our top five customers for the year ended 31 December 2019 include the group member of the prominent market players and conglomerates of the mobile internet industry of China. For the year ended 31 December 2019, approximately 99.4% and 96.6% of the advertising materials of the advertisements under our intermediary services and precision advertising services, respectively, were prepared by our in-house design team, which consisted of 47 employees as at the Latest Practicable Date. We provide mobile advertising services on a broad variety of products and services, such as mobile internet services, mobile utilities, financial services, e-commerce and mobile games. We believe that the increase in the number of our customers indicate their recognition of the quality and effectiveness of our advertising services provided, including around-the-clock placement service, use of market data to formulate a customised advertising plan which we consider most suitable for our customers pursuant to their needs, monitoring and evaluation of advertisement performance, as well as regular reporting. As at the Latest Practicable Date, we had 83 project enhancers, who were primarily responsible for monitoring and evaluating the effectiveness and performance of advertisements.

In line with the development of our relationship with suppliers operating major mobile internet media, during the Track Record Period, our customer base has been growing, mainly from the technology industry. Our revenue grew significantly from approximately RMB102.6 million to RMB254.9 million and RMB281.9 million for the three years ended 31 December 2019, respectively. Our revenue increased from approximately RMB77.2 million for the four months ended 30 April 2019 to RMB115.2 million for the four months ended 30 April 2020.

As an industry norm, advertisers usually do not directly liaise with major media publishers, and tend to engage an advertising agent to place advertisements for the discounts and add-on services, as advertisers may find it difficult to obtain bulk transaction discounts from the media publishers and they have to design, produce and arrange advertisement placements on their own. Therefore, advertisers usually need to place advertisements through advertising agents with accounts authorised by the media publishers for arranging the bidding and procurement of advertisement inventories. We seek to expand our market presence and share by offering more variety of services, including the development of advertisements in video format, promoting our mobile advertising services to potential advertisers from industries which we have less presence.

Capabilities of utilising information technology and research and development which assist us in the provision of tailor-made services to customers

Our self-developed information technology capabilities allow us to locate business opportunities and to assist us in achieving effective results for our customers.

Our technological process is attributable to our self-developed DMP (including our enterprise resource planning (ERP) systems). Through our DMP, we would (i) gain an insight and understanding on the advertising behavior of the potential customers; (ii) explore new business opportunities by proposing and matching the products of the potential customers to be advertised with our network of media publishers and suppliers; and (iii) produce suitable advertisements according to the latest market trend. Furthermore, our DMP also delivers collected data and provides useful information to our project enhancers in the post-publication stage, which allows them to adjust and refine the advertising strategies and advertisement placements for better effectiveness. Based on the information retrieved from our DMP, we can then formulate a customised advertising plan that we consider most suitable to our customers.

With the support of our research and development team, our DMP is self-developed, and is monitored and maintained by a team of experienced technical engineers, therefore we are able to modify the system in order to better adopt to the changes in the mobile advertising market. As at the Latest Practicable Date, we held 66 software copyrights registered with National Copyright Administration of the PRC. For further details of our capabilities of researching and developing information technology, please refer to the paragraphs headed “Our technologies” and “Research and development” in this section.

Experienced management team with in-depth industry expertise

We have an experienced management team with complementary backgrounds. Members of our senior management team have led our Group to continually drive innovation and achieve market leadership in China. Mr. Dong, one of our founders, chairman and chief executive officer, possesses in-depth understanding of China's mobile internet industry. Prior to founding our Company, Mr. Dong worked as the software engineer and the senior product manager of a subsidiary of Tencent for around four years. Mr. Yang, another founder of our Group and our chief technology officer, served as the programmer for mobile internet media and vice supervisor for mobile payment system development project in subsidiaries of Tencent for around six years. Ms. Gao, our head of the precision advertising services and executive Director, was a commerce manager at Beijing Qihu Keji Co. Ltd. (北京奇虎科技有限公司), a company principally engaging in business of development of internet safety and protection software and the provision of anti-virus services for around four years. Mr. Cen, our executive Director and our chief operating officer, has accumulated more than eight years of experience in the mobile internet industry. We are confident that our senior management will further grow our Company and pave the way for us to achieve our mission.

OUR BUSINESS STRATEGIES

Our goal is to continuously gain the market share in the rapidly expanding mobile advertising agency market in China. We intend to pursue the following strategies to achieve our goal.

Further expand our intermediary services

We seek to enhance our market presence and coverage on the mobile advertising market by further expanding our intermediary services. Our intermediary services will usually first provide an initial advertising proposal to each of our customers. Such proposal usually contain suggestions on enhancing the conversion rate or advertising effectiveness of that particular customer's products or services, with the estimates of effectiveness for the placing of advertisements at suggested media publishers. In addition to our recommendations, some customers may have media publishers preference for placing their advertisement, and these customers may engage us if we have the business relationship with the preferred media publishers (or their agents). Therefore, having more choices of media publishers would facilitate with pitching our customers, and we will be able to provide more accurate projections in our advertising proposals. We reached four media publishers for our intermediary services in 2016 and subsequently 41, 45, 30 and 13 media publishers during the Track Record Period, respectively, for placing advertisements for our customers.

To support our business strategy of expanding our intermediary services in the future, it is essential for us to maintain a balanced mix of media publishers available to our customers. It is our plan to expand our business scale with some of our existing suppliers with a track record of growing popularity. We will also continue to pay close attention to market trends and identify suitable media publishers with growth potential. We may consider to obtain the status of core advertising agent from those media publishers as we consider fit from time to time. In the long run, with the working capital base being strengthened upon Listing, we aim to (i) expand our business scale by accepting more advertising orders to be placed at media publishers we are working with; and (ii) provide our customers with more choices of media publishers which have with different coverage and audience group through becoming the core advertising agent of more media publishers with growth potential, in order to seize more business opportunities and attract more prominent customers in the future. Customers have the tendency to select core advertising agents over advertising agents of lower rank, because such status is reflective of their professionalism and quality of service. We also believe that having more reputable media publishers as our suppliers help us attract more prominent customers. Besides, as a core advertising agent, we are usually benefited from preferential discount policies offered by the media publishers, which reduce our advertising traffic costs, and in turn improve our profitability. We also expect to receive direct support and training from the media publishers upon becoming their core advertising agents, so to enhance and improve the quality of our services.

Based on our current plan and estimates which are subject to changes, we expect to facilitate the acceptance of future customers' advertising orders with our existing major media publishers by utilising approximately HK\$52.1 million (equivalent to RMB47.4 million) of the proceeds from the Share Offer (assuming the Offer Price is fixed at HK\$1.05 per Share being the mid-point of the Offer Price range), to expand our intermediary services business. Please refer to the section headed "Future plans and use of proceeds" of this prospectus for more details on the intended media publishers that we wish to expand our business with, and the particulars of the expansion plan.

Develop and expand our customer base and service offerings

The five major upstream industries for advertising market in the PRC in 2019 were medicine and health supplement products, automobile, food and beverage, beauty products and financial services, whereas the major products or services we advertised for our customers included mobile internet services, mobile utilities, financial services, e-commerce and mobile games during the Track Record Period.

We plan to expand our customer base through establishing business relationships with more customers and advertisers from more diverse industries such as real estate and automobile, of which these products accounted for a minimal portion of our revenue during the Track Record Period. To expand our customer base to cover a wider variety of industries, we intend to, amongst others, participate in advertising exhibitions, summit meetings and seminars and join the advertising industry association. We believe that joining these events and advertising industry association allows us to reach out to our targeted potential customers, enhance our popularity among them and to facilitate the establishment of business relationships with them in the future.

Further, we will expand our service offerings, in particular the video format advertisement. We started to offer our customers with advertisements in video format in around April 2018. Revenue generated from advertisements in video format amounted to approximately RMB38.0 million and RMB380.1 million for the two years ended 31 December 2019 and approximately RMB176.7 million for the four months ended 30 April 2020 (based on the gross basis of revenue recognition) respectively. According to the F&S Report, audience expects video or short-form video to be the display form due to the reasons that (i) they are more willing to watch advertisements in video format as videos have stronger expressive force and thus more influential; and (ii) the video format is more creative and informative which accommodates to internet users' habits and is able to attract more traffic. Thus, we will enhance our development in video format advertisement and research in other interactive means of advertisement, for example, formats in mini-game, lucky draw or red packet, in which the audience could typically win product or service coupons for free depending on the game results. In addition, we will make marketing and promotion efforts by expanding our sales network.

Based on our current plan and estimates which are subject to change, we expect to incur approximately RMB15.6 million (equivalent to approximately HK\$17.1 million) for expansion of our service offerings (including developing video format advertisement and conducting marketing campaign, and hiring more staff for sales and marketing, video and customer services (inclusive of project enhancers) teams), which will primarily be financed by the proceeds of the Share Offer (assuming the Offer Price is fixed at HK\$1.05 per Share being the mid-point of the Offer Price range). Please refer to the section headed "Future plans and use of proceeds" of this prospectus for more details.

Strengthen our data analytics and information technology capabilities

We intend to continue to devote substantial resources in our research and development efforts to strengthen and refine our data analytics and information technologies, in particular our DMP. We plan to further upgrade and invest in our technology infrastructure to enhance the operation efficiency and stability of our DMP, in order to enhance the quality of the initial advertising proposals we provided to customers, as well as the quality of services we provided for publication of advertisement and post-publication monitoring. We also plan to upgrade our DMP in order to better obtain market data and information of the targeted industries, such as real estate, and automobile, so as to facilitate our plan for targeting advertisers from more industries and for those we have less presences. The improvement in our information technology capabilities would also enhance the coverage, completeness and application of information provided by our DMP.

BUSINESS

Based on our current plan and estimates which are subject to change, we expect to incur approximately RMB7.6 million (equivalent to approximately HK\$8.4 million) for investments in data analytics and information technology technologies and related information technology infrastructure, which will primarily be financed by the proceeds from the Share Offer (assuming the Offer Price is fixed at HK\$1.05 per Share being the mid-point of the Offer Price range). Please refer to section headed “Future plans and use of proceeds” of this prospectus for more details.

Attract, retain and develop exceptional employees

Since our inception, we have devoted and will continue to devote substantial efforts to establish a talented employee base in areas such as big data. We believe that a versatile and experienced management team and employees will provide us with significant advantages in the rapidly evolving market in which we compete and continue to drive our innovation and growth. We expect to further expand our research and development team specialised in the field of data analytics to help enhance our technological capabilities and competitive advantages. In view of the expected expansion of our intermediary services, we will also hire more employees with marketing background for conducting of marketing campaigns, in particular, those focusing on potential advertisers from real estate and automobile industries.

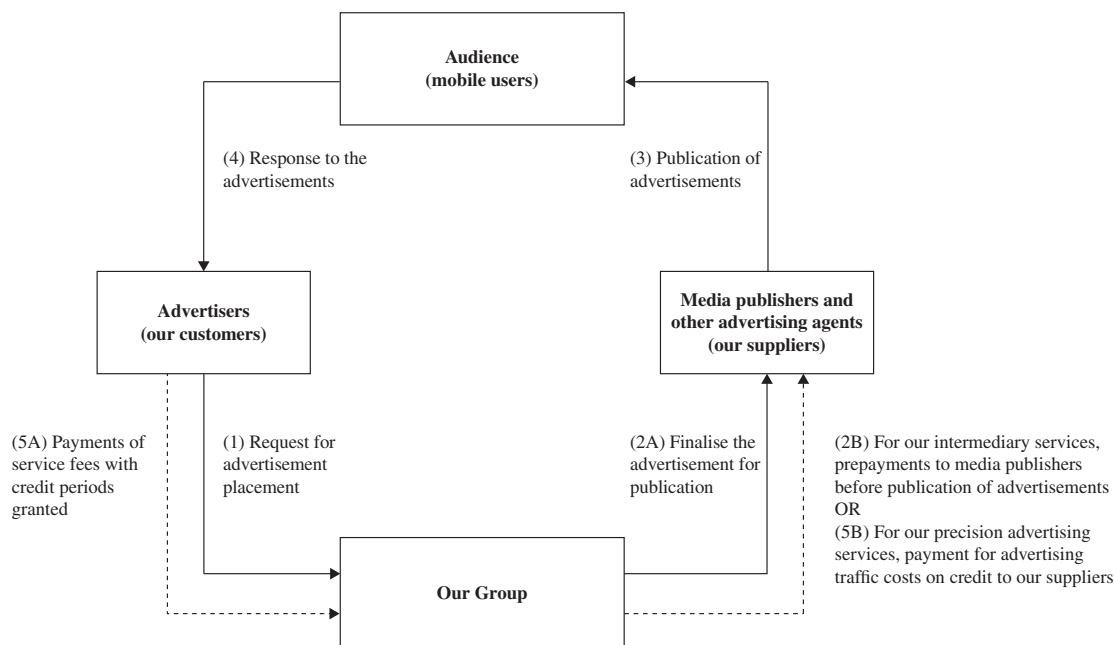
Based on our current plan and estimates which are subject to change, we also expect that the number of our staff for (i) sales and marketing team; (ii) customer services team (inclusive of project enhancers); (iii) staff primarily responsible for developing advertisements in video format; and (iv) research and development team to be increased by 15, 45, 20 and 18 respectively in the two years after the Listing. Please refer to section headed “Future plans and use of proceeds” of this prospectus for more details.

OUR BUSINESS MODEL

We are a mobile advertising company offering one-stop and tailor-made advertising services to customers in China. Our mobile advertising services generally include (i) planning and executing advertisement placements for our customers; (ii) production of advertising materials; (iii) arranging publication of advertisements; and (iv) post-publication monitoring services.

BUSINESS

The following flowchart illustrates the general process (including flow of actions and flow of monies) of on mobile advertising services generally undertaken by us:-



Notes:

—▶ Denotes flow of actions and ----▶ denotes flow of monies

Steps (1) to (5) above refer to the sequence of the general process for our mobile advertising services.

The following are the major steps of the general process of our mobile advertising services:

- (1) Advertisers place an advertising order to us;
- (2A) Through our value-added services provided to our customers which include, among others, (i) update on latest market trend; (ii) in-house design of advertisement, post-publication performance monitoring; (iii) planning and executing advertisement placements and adjustment of advertising strategies to obtain effective results; and (iv) arrangement of suppliers, we finalise the advertisement for publications;
- (2B) For intermediary services, we make prepayments to media publishers on behalf of our customers to purchase virtual tokens for bid for advertisement inventories for advertisement placements;
- (3) Advertisements are published through the media publishers selected;
- (4) The target audience make response to the advertisements such as clicking the advertisement, downloading the advertised products or taking effective actions according to the content of the advertisements;

(5A) We charge our customers for service fees based on the agreed pricing terms with credit periods we granted; and

(5B) For our precision advertising services, our suppliers charge us for advertising traffic costs on credit after publication of advertisements.

Please also refer to the section headed “Business – Our Services – Key service process of our mobile advertising services” of this prospectus for more details.

Advertisers are the initiators of the value chain who are in need of marketing solutions for promotion of their products and services as well as brand building. Advertisers tend to engage mobile advertising companies for mobile advertising services because (i) they usually do not directly liaise with major media publishers as they do not maintain a large team of manpower to handle advertisement placement requests; and (ii) the mobile advertising companies provide value-added services to them. The values added by the mobile advertising companies include (i) rich industry experience and specialised knowledge to reach a wide network of media publishers; (ii) full spectrum of add-on services, such as selection of suitable media publishers to accomplish the advertisers’ goals and connect with the media publishers; (iii) price advantages due to the discount offered to them based on their relationship with media publishers; (iv) time advantages for advertisers to save time to the advertising campaign; and (v) favourable payment terms as they may pay for the customers in advance to the media publishers as well as offer credit terms to their customers.

We, as a mobile advertising company, offer our customers with extensive network of suppliers for placements of advertisements, as well as our experiences and expertise along the service chain so as to assist our customers in achieving their advertising goals. The advertisements are delivered to the target audience via applications on their mobile devices such as mobile phones and tablets.

REASONS FOR OUR CUSTOMERS TO ENGAGE US FOR SERVICES

Advertisers are generally inclined to rely on the mobile advertising companies in the mobile advertising industry (such as us) to place advertisements, mainly due to:

- (i) *Reducing the time and costs for liaising directly with media publishers:* Usually media publishers do not maintain a large team of manpower to handle advertisement placement requests from advertisers, especially for top media with large and stable traffic. Instead, they engage a limited number of mobile advertising companies as their core advertising agents to handle the advertising needs of the advertisers for operational efficiency and cost-effectiveness. Moreover, in case where advertisers aim to target specific niche audience groups through advertising at media publishers of unique themes and functions, they may find it difficult to have access to vast amount of suitable media publishers for placements on their own given their limited knowledge of and connection with these media publishers.

- (ii) *Favourable commercial terms:* Media publishers offer advertising agents discounts for procuring advertisement inventories as advertising agents usually procure the advertisement inventories in bulk volume. The scale of such discounts may increase with the increasing transaction amounts according to terms and conditions of different media publishers. As the advertisers usually have limited advertising budgets and generally allocate the budgets over a number of media publishers for advertisement placements, it may be difficult for them to obtain commercial terms as favourable as what we are offered by those media publishers. With the lower advertising traffic costs available to us at different media publishers, we are able to offer competitive prices to our customers.
- (iii) *Advertisers can rely on our big data capabilities to select suitable media publishers:* Given large numbers of media publishers available in the market, advertisers normally do not possess with updated market data and knowledge to evaluate the performance of each media publisher. Leveraging on our information technologies particularly our DMP, we offer customers with our analysis on advertisement trend and performances on various media publishers. Advertisers can then determine the media publishers they consider best suit their advertising needs with reference to the market data.
- (iv) *We provide value-added services to our customers:* We provide one-stop advertising services to our customers along the entire advertising process. With the data from our DMP, we are able to set out advertising plans for customers by making reference to the prevailing trend of the design of comparable advertisements with an aim to maximise exposure of the advertisements. Our in-house design team produces advertisements in different designs, layout and formats, for both our intermediary services and precision advertising services, which would better attract attention from audience. For intermediary services, we arrange and procure advertisement inventories based on the specifications and budgets as agreed with customers with an aim to ensure satisfactory volume of impressions. Our project enhancers also monitor the post-publication performance of the advertisements for both our intermediary services and precision advertising services, and make necessary modifications to the advertising strategies if appropriate. We believe our comprehensive mobile advertising services contribute to the achievement of the advertising results which are up to the satisfaction of our customers.
- (v) *Advertisers can benefit from the payment terms we offer:* As an industry norm, we pay for our customers in advance to procure advertisement inventories from top media for the placement of advertisements. We also offer credit terms to our customers for settlement of our service fees. For advertisements which aim to achieve specific results for our customers, we charge our customers on successful basis for each effective result obtained. We believe that the payment terms we offered are favourable to our customers.

Our competitiveness as a mobile advertising company in the market

According to the F&S Report, advertisers tend to engage multiple mobile advertising companies even for the placement of the same advertisement in order to reach a broader range of media publishers and exercise multiple advertising strategies. Advertisers generally allocate advertising budgets among advertising agents based on their performances. Moreover, advertisers have little difficulties to replace their advertising agents, and the advertising agents hence compete with each other based on their service qualities, effectiveness of advertisements, favourability of commercial terms and variety of media publishers offered to the advertisers. Currently, advertisers usually still rely on advertising agents to place advertisement or liaise with media publishers directly owing to the discounts and add-on services provided, and due to the fact that media publishers do not usually maintain a team of manpower to handle advertisement placements. With the further development in mobile advertising industry, it may be possible in the future that either the advertisers or the media publishers may set up its own team of manpower to handle their advertising placements directly, thus by-passing mobile advertising agents.

With the rapid growth in the mobile advertising agency market in China, the market is fragmented and there were over ten thousands advertising agents competing in the market in 2019. The top five players accounted for about 16.8% of total mobile advertising agency market in 2019 as measured by revenue. In 2019, our Group contributed to approximately 0.5% of total mobile advertising agency market in terms of revenue in China. At present, the core of market competition lies in the technology and business model innovation, especially in the ability to attract more traffic and to optimise advertising traffic cost. According to F&S Report, with support from the PRC government, capital investment from investors and changes of users' preferences towards mobile devices, the mobile advertising agency market in China demonstrates great potential in the future.

Our Directors believe that we are competitive and is able to mitigate the risk of disintermediation due to (i) our understanding of customers and the market through the collection and analysis of market data obtained by our information technology capabilities (including our DMP); (ii) our quality value-added services provided during the course of the advertisement placements, for example, approximately 99.4% and 96.6% of the contents of advertisements for our intermediary services and precision advertising services in term of gross revenue generated for the year ended 31 December 2019 were prepared by our in-house design team, respectively; (iii) our established business relationships with wide coverage of media publishers and other advertising agents, which the number of media publishers we reached increased from four in 2016 to 30 in 2019 for our intermediary services; (iv) competitive pricing and favourable payment terms we offered to customers, which we pay for our customers in advance to procure advertisement inventories and offer credit terms to our customers for settlement of our service fees; and (v) our established customer base, which we provided mobile advertising services to 279, 469, 592 and 275 customers for the three years ended 31 December 2019 and the four months ended 30 April 2020, which our key customers include group member of the prominent market players and conglomerates of the mobile internet industry of China.

OUR SERVICES

Our mobile advertising services can be categorised into two types of services, namely, the intermediary services and the precision advertising services.

Intermediary services

In delivering our intermediary services, we act as the advertising agents of our customers to connect our customers with the media publishers as concluded and designated by them and place advertisements. We propose and execute advertisement placements according to their advertising goals. We provide one-stop mobile advertising services to our customers throughout the entire advertising process, including (i) proposing and executing advertisement placements; (ii) designing and arranging publication of advertisements; (iii) arranging procurement and bidding of advertisement inventories; and (iv) monitoring and reporting of advertising performances.

Advertisements in our intermediary services normally aim at advertising goals of maximising exposures and impressions by reaching a wider spectrum of audience. These advertisements are more suitable to be placed at media publishers which are named “Top media”. “Top media” refers to major online media publishers with large and stable traffic, such as popular search engines and news-feed media. As these media publishers are generally well-established and equipped with advanced online technology, they offer advertisement inventories to advertisers through their own advertisement placement system, a system whereby advertisement inventories are bid and procured for advertisement placements. For further details of the bidding process of advertisement inventories, please refer to the paragraph headed “Advertisement inventories bidding process” in this section.

Top media requires advertisers to procure the advertisement inventories by acquiring their designated virtual tokens before the advertisements are published. As part of our mobile advertising service offering to our customers, we pay for our customers in advance for acquiring virtual tokens of the designated media publishers and arrange the bidding of the desired advertisement inventories. The scale of our intermediary services is therefore constrained by the working capital we have on hand from time to time. Further details of the working capital requirement of our intermediary services, please refer to the paragraph headed “Working capital cycle” in this section.

Precision advertising services

We offer our precision advertising services to advertisers who aim to achieve specific advertising results through the placing of mobile advertisements. Advertisements of our precision advertising services are result-oriented and they generally target at a specific niche group of audience. The achievement of effective results normally requires higher degree of personal involvements from the audience, through either (i) experiencing or using the advertised products by activating or reactivating the products or registering as the users of the products; or (ii) inducing actual sales.

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Our precision advertising services usually involves the planning, launching, managing and monitoring of advertisements all along the advertising process. We contribute to maximise the effectiveness of the advertisements through our selection and allocation of suppliers for advertisement placements and timely adjustment of advertising strategies. Due to the specific nature and requirements of these advertisements, we generally arrange the advertisement placements at media publishers which are named “Long to medium tailed media”. “Long to medium tailed media” refers to medium-sized mobile apps or small-sized media publishers with lower popularity, such as mobile games and e-commerce apps. These media publishers have their own values in the mobile advertising chain as they have audience of specific interests due to their uniqueness and functionalities. Advertising in these media publishers would therefore precisely reach the target audience. As such, these media publishers are more suitable for the precision advertising services, since they deliver advertisements to specific target audience which would attract attention and thus trigger the achievement of effective results by the target audience of our customers.

The following table sets out the total revenue generated by our mobile advertising services during the Track Record Period (*Note*):

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
Precision advertising services	80,959	78.9	210,656	82.6	236,086	83.7	65,735	85.1	92,268	80.1
Intermediary services	21,611	21.1	44,259	17.4	45,848	16.3	11,486	14.9	22,970	19.9
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

Note: Based on the revenue recognition principle we adopted, revenue generated from our intermediary services are recognised on net basis while gross basis is adopted for revenue generated from our precision advertising services. For the three years ended 31 December 2019 and the four months ended 30 April 2020, the gross revenue generated from our intermediary services amounted to approximately RMB139.1 million, RMB409.0 million, RMB523.9 million and RMB241.9 million, respectively. Please refer to the paragraphs headed “Different recognitions of revenue for our intermediary services and precision advertising services” in this section for details.

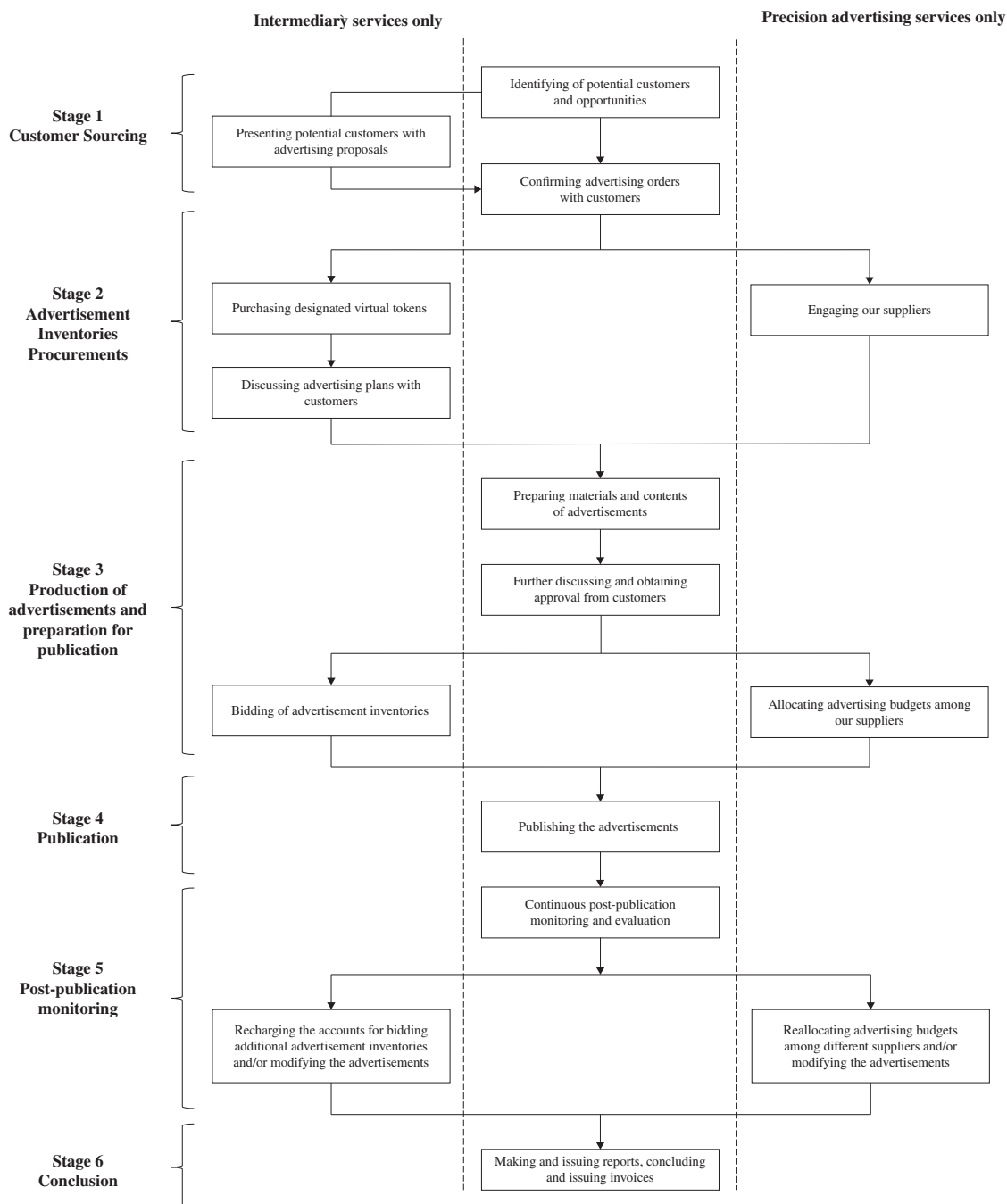
For each of the year/period during the Track Record Period, our revenue amounted to approximately RMB102.6 million, RMB254.9 million, RMB281.9 million and RMB115.2 million, respectively. The increase in our revenue was principally driven by (i) the overall increase in market size of the mobile advertising market at a CAGR of approximately 61.7% from 2014 to 2019, according to the F&S Report; (ii) the increase in number of our customers and advertisements placed by them during the Track Record Period, where we started with a relatively small base number of customers and transaction amount when we commenced our business in 2016, and we subsequently expanded our customer base, from 279 customers for the year ended 31 December 2017 to 592 customers for the year ended 31 December 2019. For the four months ended 30 April 2020, we have provided mobile advertising services to 275 customers. During the Track Record Period, our customers included repeat customers and pioneering and leading information technology conglomerates in China as disclosed in paragraphs headed “Our customers” of this section; (iii) we had been recognised as the core advertising agents of an increasing number of media publishers during the Track Record Period, from three as at 31 December 2017 to 11 and eight as at 31 December 2019 and 30 April

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2020, respectively, which helped build our reputation and attract more customers; and (iv) our ability to capture new business opportunities in the fast growing mobile advertising industry with the increasing number of advertisement placements which we handled of 797, 1,467, 1,601 and 664 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

Key service processes of our mobile advertising services

The following diagram sets out the key stages of our mobile advertising service process:



Details of our service process are stated as follows:

- i. *Identifying of potential customers and opportunities:* Our DMP assists us in the understanding of the market, and thus identifying potential customers. Our sales staff can log into the DMP at any time to review the market data obtained and collected from the public domain on real-time basis during the course of understanding and identifying potential customers. This market data usually includes, among others, (i) media publishers where potential customers place their advertisements; (ii) formats of advertisements used; and (iii) approximate number of impressions and duration of advertisements placed. The market data helps us identify potential customers, as upon reviewing such market data, we will have insight of the advertising behavior of the potential customers. Based on this information and with the use of our DMP, we are therefore able to (i) identify customers who potentially may be interested to place advertisements on network of media publishers we maintain; and (ii) propose and recommend to the potential customers with initial advertisement proposals to place advertisements at our network of media publishers with an aim to improve the advertising effectiveness for the potential customers, including precisely defining their target audience, identifying appropriate markets and media publishers for the advertisement placements as well as establishing the budget and time frame for accomplishing their goals. We then prepare an initial advertising proposal to potential customers and identify the most suitable media publishers for them, as well as the prevailing cost of advertisement inventories. We also prepare a draft advertisement graphic for potential customers' consideration when putting forward the advertising proposals.

For some of our customers, who invite us in submitting quotations for their proposed advertisement placements, we may utilise information from our DMP in preparing the tendering documentations shall we consider fit.

- ii. *Presenting potential customers with advertising proposals (for our intermediary services):* Our sales staff then presents to the potential customers with initial advertising proposals containing analysis of similar advertisements placed at different media publishers including the duration of the advertisements, in order to advise the most suitable media publishers and advertisement inventories to the potential customers. Our proposals and recommendations are for the references of our customers and they make the final decisions on the media publishers to be used for placing advertisements according to their own advertising strategies.

- iii. *Confirming advertising orders with customers:* We confirm with the customers their advertising orders for placing advertisements after our presentation to potential customers or after we have accepted customer's orders. We usually require new customers to enter into a framework service agreement with us when they indicate their intention to request for advertising services from us before advertisement placement. Please refer to the paragraphs headed "Our customers" in this section for the salient terms of the framework service agreement.
- iv. *Arranging advertisement inventories:* Following the confirmation of advertising orders with customers, we would arrange advertisement inventories for our customers. For our intermediary services, we create accounts and purchase virtual tokens on behalf of our customers and discuss the advertising plans with them. For our precision advertising services, we choose and engage various advertising agents as our suppliers for arranging advertisement inventories procurements and the publication of advertisements.

Intermediary services

Purchasing designated virtual tokens: Following the confirmation of advertising orders with customers, our account executive staff creates accounts for our customers (a) directly with media publishers (which we are recognised as their core advertising agents); or (b) through other advertising agents (which we are not recognised as the core advertising agents of those media publishers), at the designated advertising placement systems (each media publisher has its own advertising placement system) for each advertisement placed with those media publishers. We purchase the virtual tokens (each media publisher has its own kind of virtual token) on behalf of our customers pursuant to the advertising budgets of each advertisement.

Throughout the period when the advertisements are placed at particular media publishers, by logging in the advertising placement systems operated by them, we and our customers are able to have access to the performance of advertisements placed on a real-time basis. Information available includes the number of virtual tokens purchased and consumed, and the advertising performance such as bid price of the advertisement inventories, volume of impressions to the advertisements, click rate and/or download rate. The above information is kept by us for a limited period of time, usually for a few months. It is also only accessible during a prescribed period of time from the advertising placement systems operated by the media publishers, which cover the whole course of advertisement placements including the post-publication monitoring and evaluation stage and the completion of the advertisement placement. The media publishers may impose limitation on time for retrieving historical data or in case where the accounts are no longer maintained or accessible after the completion of the advertisement placements, such information is not available, in particular for advertisements placed by us at media publishers through other advertising agents which might cease our access to the accounts after the completion of the advertisement placements.

The virtual tokens purchased for our customers will be recorded by us as our prepayments, until the virtual tokens are consumed after the publication of advertisements through the advertisement inventories purchased. For details of the working capital cycle, please refer to the paragraphs headed "Working capital cycle" in this section.

Discussing advertising plans with customers: Our sales staff analyses the public market data obtained by our DMP in relation to the intended media publisher for advertisement placement. The data collected and analysed usually include the target audience group of the intended media publisher, its approximate user impressions and the trends and behaviour of our customers' previous advertisements at the time when the advertising plans were made. We analyse relevant data to evaluate the performance of specific types of advertisements and their particular contents at the intended media publisher, for instance, the market trend of advertisement contents for specific types of advertisements and the click rates and download rates of those advertisements recently placed by us (if applicable) on such media publishers. Our sales staff then formulates a customised advertising plan that we consider most suitable to our customers pursuant to their requests based on several factors, including, among others, advertising display formats, the media publishers to be used, as well as estimated advertising budgets.

Precision advertising services

Engaging our suppliers: Having considered the advertising needs of our customers (i.e. to attract audience in either (i) experiencing or using the advertised products; or (ii) inducing actual sales) and the desired advertising results to be achieved (such as activation, reactivation, registration or sales), we choose and engage various advertising agents as our suppliers, which we consider suitable for arranging the publication of advertisements. Suppliers for precision advertising services are mainly advertising agents which have connections with a number of long to medium tailed media. For details, please refer to the paragraphs headed "Our suppliers – Suppliers for precision advertising services" in this section.

Advertisements of our precision advertising services are result-oriented and we charge our customers based on the number of effective actions or sales incurred from the advertisements. We therefore have the autonomy (i.e. without the need of obtaining prior consent or approval from our customers) to decide the advertising strategies, including, for instance, types of advertisements, display formats and the suppliers to be used in order to achieve the advertising goals. As the aim of our customers for precision advertising services is to achieve the effective results triggered from the advertisements and the services fees are charged based on such measurable results, we engage third party advertising agents as our suppliers for advertisement placements such that the advertisements can be placed with wide coverage of media publishers in order to maximise the advertising results. We select the suppliers for our precision advertising services based on our own assessments on their reputation, historical performances and genuineness of effective results recorded during the course of businesses. To protect the interests of our customers, our supplier agreements generally prohibit our suppliers from doing any illegal acts in advertisement placement, including prohibition on placing the advertisements at pornographic or gambling related illegal platforms. Under these arrangements, it is normally not necessary to discuss the advertising plans and the selection of our suppliers with our customers.

- v. *Preparing materials and contents for advertisements to be published:* Based on the original advertising contents provided by our customers, our design team prepares and designs the draft advertising materials for the advertisement to be used, which could not be used by our customers for other purposes nor on other media publishers without our consent. For the year ended 31 December 2019, our in-house design team prepared the advertising contents for approximately 99.4% and 96.6% of the advertisements for our intermediary services and precision advertising services in terms of gross revenue generated, respectively. Some advertisements were published based solely on the advertising contents provided by our customers without further editing by our in-house design team. Our customers are responsible for ensuring the advertising contents provided comply with laws and regulations and do not infringe any third party's intellectual property rights.
- vi. *Further discussing and obtaining approval from customers:* We carry out further discussions with our customers and obtain their final approval on the advertising contents.
- vii. *Finalising advertisement contents:* After obtaining approval from our customers, we would finalise the advertisement contents. For intermediary services, we then start the bidding process for the desired advertisement inventories. For precision advertising services, we then allocate the advertising budgets among our suppliers.

Intermediary services

Bidding and procurement of advertisement inventories: Upon final approval of the advertising plans from our customers, we start the bidding process for the desired advertisement inventories. The bidding process will determine, among others, the number of virtual tokens to be consumed in terms of CPC, CPD, CPT or CPM. For further details of the bidding process of advertisement inventories, please refer to the paragraphs headed "Advertisement inventories bidding process" in this section.

Precision advertising services

Allocating advertising budgets among our suppliers: We allocate the advertising budgets among our suppliers based on, among others, their track records of performance and reputation in order to achieve the targeted effective results.

- viii. *Publishing the advertisements:* We arrange for the publication of advertisements pursuant to the proposals as agreed and finalised with our customers. For our intermediary services, the advertisements are placed through the advertisement placement systems of the media publishers. For our precision advertising services, the publication of advertisements are conducted through the suppliers we engaged. We may make trial placements on some occasions as the customers would like to observe the initial market feedbacks before arranging for mass publications.

- ix. *Post-publication performance measurement, monitoring and evaluation:* We designate a group of project enhancers for continuously evaluating the effectiveness and performance of the advertisements after their publications. For our intermediary services, we access our DMP and/or the advertising placement systems operated by the media publishers and obtain data which would then be analysed for reviewing the performance of the advertisement placements. The obtained and analysed data includes, among others, number of virtual tokens consumed, volume of impressions, conversion rate, click rate and/or download rate. Data concerning these performance indicators are usually accessible by project enhancers during the course of advertisement placement on a real-time basis. Upon analysing the performance indicators and seeking approvals from customers, any under performance would be adjusted and refined accordingly, for instance, by switching to a different media publisher, opting for different placement time, modifying our bidding offers, amending the advertising contents or selecting another group of target audience to whom the advertisements will be presented. The project team also prepares reports for summarising the performance and effectiveness of the advertisements placed and report to our customers upon their requests.

For our precision advertising services, we focus on monitoring the effectiveness of the advertisements (i.e. the number of effective results obtained by each of our suppliers during the advertisement placements). We also observe and identify possible frauds arising from abnormal numbers of results generated.

- x. *Adjusting the advertising strategy:* Based on the performances of the advertisements, we would adjust the advertising strategy from time to time. For intermediary services, we may recharge the accounts or modify the plans and contents of the advertisements under the instructions of our customers. For precision advertising services, we may reallocate the advertising budgets among our suppliers or modify the contents of advertisement.

Intermediary services

Recharging the account and/or modifying the advertisement: Based on the effectiveness of the advertisement, and under the instructions of our customers, we recharge the accounts by purchasing additional virtual tokens with the media publishers for arranging the bidding of additional advertisement inventories or modifying the plans and content of the advertisements. For instance, we may continue to bid for more advertisement inventories, change of target audience, change of space and frequencies of showing advertisements, or modify the format and content of the advertisement.

Precision advertising services

Reallocating advertising budgets among suppliers and/or modifying the advertisements: We continuously monitor and analyse the performance of the advertisements placed. In the event that the advertisement performance of a particular supplier (i.e advertising agents or media publishers) fails to meet the targeted results, we may reallocate the advertising budget to other suppliers with better performance, or modify the contents of advertisement.

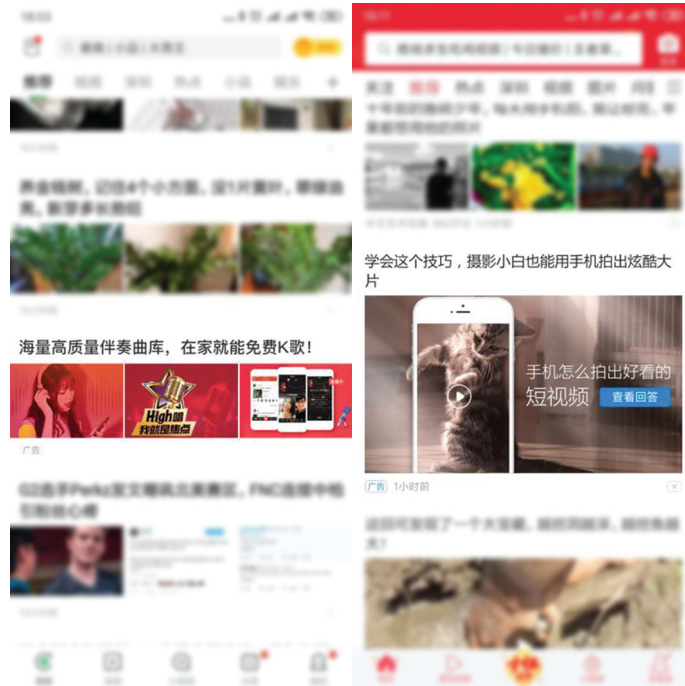
- xi. *Making and issuing reports, concluding and issuing invoices:* We prepare and issue reports to customers at their requests. Such reports contain analysis combining the key performance data of the advertising placements as set out at paragraph x. above and the effective results so recorded. The reports also serve the purpose of retaining our customers for further engagement by presenting the effectiveness of our advertising services. We then issue invoices and bill our customers based on the agreed pricing terms accordingly.

For our intermediary services, we conduct account auditing on a regular basis, including calculating the aggregate fee we charge our customers (i.e. the monetary value of virtual tokens consumed for the publication of the advertisements). The virtual tokens are consumed according to the agreed pricing mechanism in terms of CPC, CPD, CPT or CPM. When we adopt CPC, CPD or CPM, we rely on the records of media publishers as set out in their respective advertising placement systems in knowing the numbers of clicks, downloads or impressions being incurred. For our precision advertising services, the number of effective results are counted and recorded by a built-in programme attached to the advertisement contents. The effective results are agreed and confirmed with our customers after the advertisement publications. Please refer to paragraphs headed “Our services – Verification on effective results and anti-fraud measures” in this section for details.

Display formats of advertisements

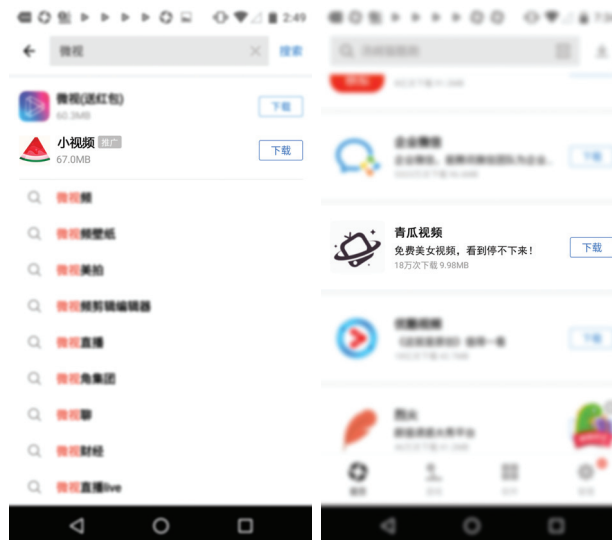
Advertisements for our intermediary services are usually embedded in the advertising space on mobile application interface operated by media publishers and displayed in formats that are consistent with the app user interface or information feeds of the apps. These advertisements can be delivered in various formats, including news-feed advertisements and app store advertisements. We have also expanded our advertising service to cover advertisements in video format in around April 2018.

News-feed advertisement is a format for mobile advertising that integrates customised advertising content into a given media that closely aligns with the original design of the media on which it displays.



Samples of news-feed advertisements

App store advertisement is another format for mobile advertising that displays on app stores that users see when they search for a mobile app using specific keywords.



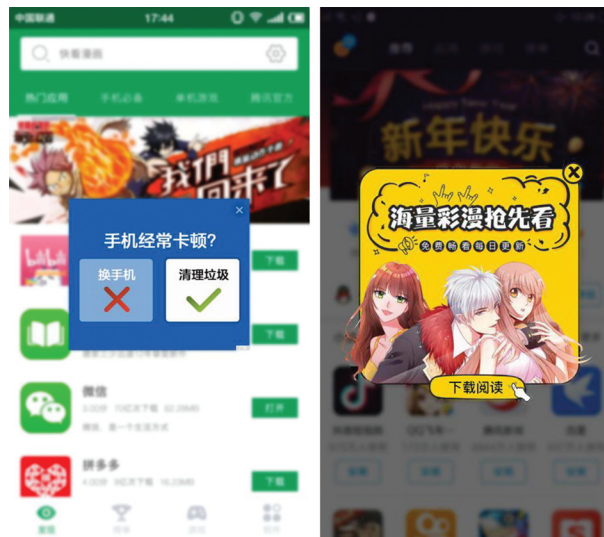
Samples of app store advertisements

In addition to advertisements in the format of still image, some of the media publishers accept advertisements in video format, which are usually displayed at the spaces in the application interface together with other contents or videos.



Samples of interface showing advertisements in video format

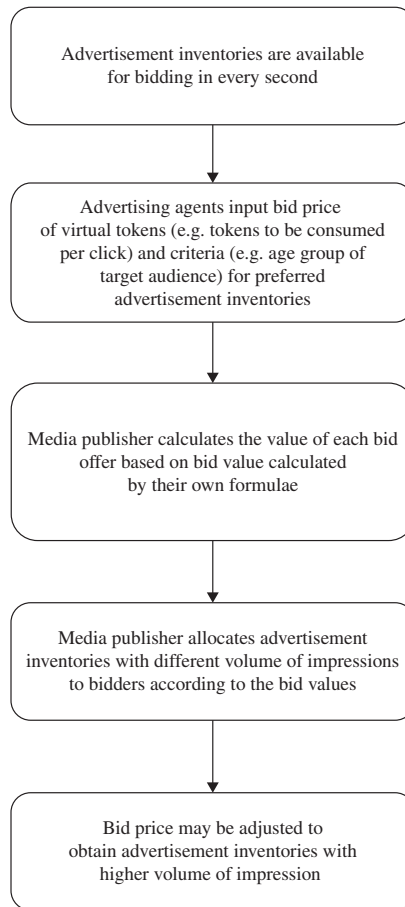
Advertisements for our precision advertising services are usually displayed in format such as pop-up operated by the media publishers, so as to trigger the attention of target audience to carry out the desired actions for our customers.



Samples of advertisements for our precision advertising services

Advertisement inventories bidding process

Advertisements conducted by our intermediary services are mostly placed at top media. The advertisement inventories are procured by us through bidding on their own advertising placement systems. The following diagram sets out the key steps for advertisement inventories bidding:



The execution of advertisement placements through the advertising placement systems starts with the setting up of a unique account for each advertisement. These accounts are created under our customers' name and the entire advertisement placement process is operated by us through these accounts. Each account is assigned with a unique set of log-in particulars such as username and password. For media publishers which we are their core advertising agents, we can directly get access to the advertising placement systems and create accounts for our customers. In case for advertisements which are to be placed at media publishers through other advertising agents, those advertising agents will create accounts for us, provide us with log-in particulars and purchase the virtual tokens for us from the media publishers under our instructions. Upon creating the accounts, we can log into the relevant advertising placement system, operate the accounts and handle the advertisement inventories bidding process independently. For bidding of advertisement inventories, in addition to the bid price (representing the number of virtual tokens in exchange for the advertisement inventories in terms of CPC, CPD, CPT or CPM, as the case may be), we can set certain criteria for the advertisement inventories, mostly related to the particulars of the target audience.

Our customers are also granted the access right to the relevant accounts. They can review the status of the advertisements, includes the number of virtual tokens purchased and consumed, and the performance indicators of respective advertisement such as volume of impressions to the advertisements, click rate and/or download rate.

The media publishers usually ‘produce’ the advertisement inventories based on the space in its media platform which allows mobile native advertising. Different advertisements are shown to different users of the same media publisher at the same time, according to the advertising criteria as previously determined in the bidding process of the advertisement inventories. Multiple advertisement inventories in terms of impression are ‘produced’ and made available even for the same space in the media platform as being viewed at the same time in different devices, and the bidding for the advertisement inventories is open every second on the media publisher or mobile app and involving competing with other bidders on a real-time basis. As such, there are sufficient advertisement inventories offered by the media publishers and we are able to successfully bid for the preferred advertisement inventories even though we face competitions from other bidders.

Based on the input of bidding information from the bidders, the media publishers calculate the values of each bid based on their own formulae in order to rank the bids from all bidders. The bidder offered the highest value will be allocated with the highest volume of impressions to that advertisement, while other bid offers may also be able to obtain advertisement inventories with lower volume of impressions allocated. In the event that our bid offer is lower than other bidders, we may fail to obtain the advertisement inventory with desired impressions. We may then adjust the bid price, advertising contents or other advertising criteria such as the age group of the target audience groups in order to be allocated with the appropriate volume of impressions under the agreed budgets with our customers.

In adjusting the bid price, our project enhancers take into account (i) the advertising budgets of our customers; (ii) the targeted effectiveness or impression required by our customers; and (iii) certain performance parameters of the media publisher including conversion rate, click rate and download rate. Given the broad user base of the top media, the media publishers have adequate supply of advertisement inventories, and may allocate advertisement inventories in every moment to various bidders for different groups of audience. During the Track Record Period, we did not experience the situation where we are unable to acquire advertisement inventories for our customers at bid price within the approved budgets.

Before we arrange the bidding of the advertisement inventories, we have to purchase virtual tokens (on behalf of our customers) from the media publishers and to maintain sufficient virtual tokens in the accounts to support each bid. The virtual tokens so purchased are kept in each account and are used solely for the publication of the advertisement such account is created for. Virtual tokens are hence not transferable among different customers’ accounts even if they are created under the name of the same customers at the same media publisher. Any unused virtual tokens can be refunded to us in cash without interest and surcharges. In accounting, for the virtual tokens we purchase for our customers, when the virtual tokens are purchased, we recognise them as prepayments to media publishers as initial recognition. When the virtual tokens are consumed, we recognise the consumption as advertising traffic costs and the corresponding prepayments to media publishers is reduced

accordingly. We pay for our customers in advance for purchasing virtual tokens, which are in turn consumed after bidding of advertisement inventories. The advertisement inventories so bid therefore are not owned by us.

For our precision advertising services, the media publishers so used for advertisements are mostly long to medium tailed media. As they are generally smaller in operational scale, they do not normally operate an advertising placement system as sophisticated as those of the top media. Therefore advertisement inventories bidding process (including the purchases of virtual tokens) is not applicable to our precision advertising services. Moreover, as the payment terms with our suppliers are normally under the pricing mechanism of CPA or CPS, we are obliged to pay only when the required results are achieved. Therefore, we are generally not required to make any prepayments to suppliers for our precision advertising services.

Pricing mechanisms and profit model

For our intermediary services, we charge our customers the monetary value of virtual tokens to be consumed for advertisement placement with reference to different pricing mechanisms, namely cost per click (CPC), cost per download (CPD), cost per time (CPT) or cost per mille (CPM). At the time when the advertising orders are confirmed with our customers, we agree with our customers on the monetary value of each virtual token to be consumed. Such monetary value is in general at a discount offered by us to the standard price of virtual tokens as preset by the respective media publishers. We also agree with our suppliers on the discount of each virtual token to be consumed by us, which is in general at a higher discount rate as a whole to the discount offered by us to our customers. During the Track Record Period, for the media publishers which recognised us as their core advertising agents, they adopted either a progressive discount scheme (pursuant to which additional discount will be offered to us upon attaining a certain higher level of transaction amount), or offered us with a flat discount rate. While for media publishers which had not recognised us as their core advertising agents, we were generally offered with a flat discount rate. These discounts are presented to us by the suppliers in terms of (i) upfront discount at the time when the virtual tokens are purchased; (ii) a lump sum reward (by way of free virtual tokens or cash) upon attaining a certain higher level of transaction amount; or (iii) a combination of both. For details of core advertising agents, please refer to the paragraphs headed “Our suppliers – Media publishers recognised us as their core advertising agents” of this section.

Profits generated from our intermediary services represent the difference between the fees we charged our customers based on value of actual virtual tokens consumed, deducting the fees charged by our suppliers for our procurement of virtual tokens. The margin we earned represents the difference in the advertising traffic costs as a result of lower costs we have from our suppliers due to bulk purchase of virtual tokens.

The margin for our intermediary services, being the gross revenue less the relevant advertising traffic costs, for the three years ended 31 December 2019 and the four months ended 30 April 2020 were approximately 15.5%, 10.8%, 8.8% and 9.5%, respectively. Please refer to the section headed “Financial information – Principal components of consolidated statements of comprehensive income – Gross profit and gross profit margin” of this prospectus for more details of our margin for our intermediary services.

For our precision advertising services, we charge our customers based on each effective result obtained. The pricing is normally determined with reference to CPA or CPS. Most of the revenue generated from precision advertising services were generated from advertisements charged based on CPA, which represented approximately 90.4%, 95.3%, 95.8% and 99.1% of total revenue generated from precision advertising services for each of the year/period during the Track Record Period. In minimising our business risks, for most of the cases during the Track Record Period, the pricing mechanism that we agreed with our suppliers, such as CPA or CPS, were the same as the pricing mechanism that we agreed with our customers. However, we also selected to place advertisements at media publishers which charge us at pricing mechanism of CPC or CPD. Under this circumstance, there exists a mismatch in pricing mechanism and such mismatch may expose us to risk of loss making in case the income generated from the effective results fail to cover the corresponding advertising traffic costs. Notwithstanding the above, given (i) we considered some top media were or might be suitable in generating the desired effective results for our customers while top media only charge us at pricing mechanism of CPC or CPD; (ii) the performance of the advertisements can be improved by reaching more media publishers other than those reached by our suppliers; and (iii) we observe the performance of the advertisement through our continuous post-publication performance monitoring, we believe we are able to enhance our income stream with manageable risks.

Profits generated from our precision advertising services represent the difference in revenue we received from our customers on the effective results and the cost of our service, which primarily include fee charged by our suppliers. For the three years ended 31 December 2019 and the four months ended 30 April 2020, the margin from the provision of our precision advertising services was approximately 24.1%, 20.4%, 20.7% and 22.1%, respectively. Please refer to the section headed “Financial information – Principal components of consolidated statements of comprehensive income – Gross profit and gross profit margin” of this prospectus for more details of the margin for our precision advertising services.

Squeezing profit margins

We experienced a decrease in our gross profit margin during the three years ended 31 December 2019, from approximately 38.6% for the year ended 31 December 2017 to 31.3% for the year ended 31 December 2018, then further decreased to 28.9% for the year ended 31 December 2019. Our gross profit margin rebounded to approximately 34.7% for the four months ended 30 April 2020. For our intermediary services, the margin (in terms of %) decreased from approximately 15.5% for the year ended 31 December 2017 to 10.8% and 8.8% for the two years ended 31 December 2019, respectively, while it was 9.5% for the four months ended 30 April 2020. For precision advertising services, the margin (in terms of %) was approximately 24.1%, 20.4%, 20.7% and 22.1% for the three years ended 31 December 2019 and the four months ended 30 April 2020 respectively.

The decrease in gross profit margin was mainly caused by the decrease in the margin (in terms of %) for our intermediary services. As part of our business strategy, we aim to develop and maintain an established supplier base with a mix of media publishers. With the

development of our business and the strengthening of financial positions with profits over time, we had broadened our mix of media publishers and were competitive enough to expand our business with the first-tier media publishers, whose margins generated from advertisements placed are generally lower as they usually offer lower discounts to mobile advertising companies, while first-tier media publishers usually have a stable mobile traffic so to ensure the performance of the advertisements placed. For the second-tier media publishers, they tend to provide relatively higher discounts to us so as to maintain their competitiveness in the market against those first-tier media publishers. Thus, we earn different levels of margin for advertisements published at different media publishers. With the significant increase in portion of business with these media publishers during the years ended 31 December 2018 and 2019, our margin from the intermediary services decreased accordingly, in which the percentage of total gross revenue generated from the first-tier media publishers increased from approximately 5.3% to 29.2% and 47.9% of our intermediary services for the three years ended 31 December 2019 respectively. The decrease in margin (in terms of %) of our precision advertising services for the year ended 31 December 2018 was mainly attributable to our Group's adoption of a competitive pricing strategy in order to retain, deepen and expand our relationships with the existing customers and attract new customers in light of the intensified competition in mobile advertising market.

We aim to continue to expand our intermediary services in order to enhance our profitability. In particular, due to the fast developing mobile advertising industry in China, the popularity of media publishers may change with varying market trends and tastes of audience over time. It is our business strategy to develop and maintain a balanced mix of media publishers, whereby advertisements can be placed at first-tier media publishers with stable and large traffic and high user stickiness as well as second-tier media publishers with relatively positive growth potential. As the advertisers are used to place advertisements over a number of media publishers to reach a wider spectrum of audience, our Directors believe that maintaining a larger mix of media publishers of different tiers could offer our customers with more options of media publishers to cater for their different advertising needs, which not only enables us to capture additional business opportunities from the same customer, but also improves our competitiveness among other market players. As such, our Directors believe that this business strategy allows us to promote our revenue growth from our developed customer base and further enhance our market share and profitability in the long run. At the same time, we are able to mitigate our business risks should there be a decline in popularity of media publishers of any tiers, as well as the changing market trends and tastes of audience.

Working capital cycle

For our intermediary services, there is a time lag between the time when we purchase the virtual tokens on behalf of our customers and the time when the customers settle the invoices or trade receivables related to our services provided, as the case may be. Such time lag is resulted from the fact that (i) as part of our services to our customers, we usually purchase virtual tokens on behalf of our customers in cash before arranging the bidding of advertisement inventories for our customers; and (ii) our customers are also granted with a credit period from us after publication of advertisements. We only purchase the virtual tokens for our customers

on an order by order basis after the advertising orders are confirmed. The volume of virtual tokens so purchased are made with reference to the budget of each advertisement. We experience a mismatch in timing between the purchase of virtual tokens from media publishers and receipt of payment from our customers, which imposes a substantial cash requirements for funding our intermediary services. The scale of our intermediary services is therefore constrained by the working capital we have on hand from time to time.

We make prepayments to media publishers on behalf of our customers to purchase virtual tokens on an order by order basis and any unused virtual tokens are generally refundable in cash upon our request. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the prepayments to media publishers (i.e. the virtual tokens yet to be consumed) amounted to approximately RMB18.4 million, RMB67.4 million, RMB67.2 million and RMB67.6, representing approximately 21.2%, 27.1%, 19.9% and 17.7% of our total assets respectively. Our prepayments turnover days were 26.0 days, 38.3 days, 46.9 days and 33.7 days for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The transaction amounts in intermediary services which require prepayments accounted for 64.5%, 77.7%, 94.1% and 80.5% of our total revenue generated from the intermediary services (under the gross basis for revenue recognition) for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

For our precision advertising services, we are not normally required to pay for advertisement inventories in advance. We confirm with both our suppliers and customers for the number of effective results achieved prior to invoicing our customers and settling the advertising traffic costs charged by our suppliers. Accordingly, our Directors are of the view that there is no significant time lag between making payments to our suppliers and receiving payments from our customers for the precision advertising services.

For the three years ended 31 December 2019 and the four months ended 30 April 2020, the turnover days of our trade receivables (assuming all the revenue are based on gross basis of revenue recognition) were 51.9 days, 64.2 days, 92.6 days and 90.6 days, respectively, while the turnover days of our trade payables (assuming all of the costs which directly related to our revenue are based on gross basis of revenue recognition) were 36.9 days, 48.0 days, 60.8 days and 52.0 days, respectively.

Please refer to the section headed “Risk factors – We have to pay for our customers in advance to media publishers before arranging the bidding of advertisement inventories, and we are exposed to risks with regard to collection of our trade receivables from our customers” of this prospectus for further details on risks associated with our working capital cycle.

Verification on effective results and anti-fraud measures

For our intermediary services, we charge our customers on the monetary value of virtual tokens consumed for procuring the advertisement inventories. The virtual tokens are consumed during the period when the advertisements are placed under the pricing mechanisms of CPC, CPD, CPT or CPM. In the case that advertisement inventories are charged based on CPC or

CPD, data such as number of clicks and downloads and consumption of virtual tokens are recorded by media publishers at their advertisement placement systems. Based on this information, we calculate advertising charges and issue invoices to our customers. Our customers usually agree to the consumption of virtual tokens as recorded by the media publishers and agree to our advertising charges without the need of further verifications. The media publishers are top media whose advertisement placement systems are considered as well-equipped and are hence reputable and reliable. We therefore rely on their own internal control measures for the prevention of fraud actions. Furthermore, our project enhancers continuously evaluate the effectiveness and performance of each of the advertisements during their publications. In the event that the advertisements placed at a specific media publisher underperformed as compared to other media publishers, we will adjust the advertising strategy upon seeking approvals from our customers including to switch to a different media publisher. In general, the Directors consider that little concerns are put on the advertisement inventories charged based on CPT or CPM as they are charged based on a fixed fee according to the duration or number of impressions we set for the advertisement.

For our precision advertising services, the number of effective results are counted and recorded by a built-in programme of our customers attached to the advertisement contents. In order to monitor the performance of the advertisements, we regularly obtain the data in relation to the effective results from our customers and communicate the same with our suppliers. In the event that there are substantial differences on the number of effective results as recorded by the suppliers and recognised by our customers, we will liaise with our customers and suppliers separately, reconcile the differences until the number of effective results being finally concluded and recognised by both sides. Notwithstanding the above, the effective results that the customers confirmed are generally conclusive according to the contracts between our Group and our customers. In addition, we believe that by leveraging on our experienced management team with in-depth industry knowledge including our understanding of the capability of our suppliers and their track record of performance and market reputations, we are able to observe and identify possible fraud actions by closely monitoring the pattern and the number of effective results achieved by each of our suppliers along the advertisement placements. If there is possible fraud action noted, we may immediately cease the publication of advertisements with these suppliers.

During the Track Record Period and up to the Latest Practicable Date, we did not cease the publication of advertisements with any suppliers nor had been subject to any material disputes with our customers and suppliers due to situations where the number of results appeared to be inaccurate or the number of effective results was not satisfactory to our customers, save for one supplier which initiated arbitration proceedings against us. In 2019, a supplier initiated arbitration proceedings against Shenzhen Bright Future in respect of a dispute on the number of effective results as there were discrepancy between the number recorded by such supplier and recognised by our customer. Our customer doubted the genuineness of the number of effective results claimed by this supplier with reference to their own record. The Beijing Arbitration Commission held in favour of the supplier and as a result, Shenzhen Bright Future was liable to pay approximately RMB228,674, together with interests and other costs. The arbitration award was subsequently settled. The Directors confirm that although Shenzhen

Bright Future was liable to pay to such supplier, the incident was merely a disagreement on the number of effective results so generated and it was not caused by any fault or wrongdoings of our Group. We had no further transactions with this supplier thereafter to prevent occurrence of similar incident.

Key differences between our intermediary services and precision advertising services

Although the business processes of our intermediary services are largely similar to those of our precision advertising services, these two types of services are indeed distinguishable from each other and are offered to serve different advertising needs of our customers. The following table summarises the key differences between our intermediary services and precision advertising services:

	Intermediary services	Precision advertising services
Purpose of advertising	For maximising the exposures and impressions of customers' advertisements in order to reach a wide spectrum of audience	For meeting specific advertising results set by our customers through reaching a specific niche audience group. The achievement of advertisement results normally requires higher degree of personal involvements from the audience, through either (i) experiencing or using of the advertised products; or (ii) inducing actual sales
Key roles and responsibilities	We arrange the publication of advertisements at media publishers concluded and designated by our customers	We plan and execute the advertisement placements for our customers and are responsible for advertising process. In particular, we are responsible for the advertising strategies including sourcing of the suitable suppliers
Media publishers	Top media, which includes popular search engines and news-feed media	Long to medium tailed media in general, such as mobile games and e-commerce apps
Payment schedule and obligation	Upon confirming customers' advertising orders, we purchase the virtual tokens of the designated media publishers on behalf of our customers and arrange the bidding of advertisement inventories, and we only charge our customers after publication of the advertisements with credit period granted	We bill our customers and pay our suppliers after publication of the advertisement with reference to the agreed and confirmed number of effective results

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	Intermediary services	Precision advertising services
Pricing mechanisms	<p>Monetary value of virtual tokens consumed based on different pricing mechanism, such as CPC, CPD, CPT or CPM</p> <p>Such pricing mechanisms generally reflect the frequency of appearance of the advertisements placed to meet the advertising purpose of maximising the exposure of the advertisements</p>	<p>Based on CPA or CPS in general</p> <p>Such pricing mechanisms reflect the effective results derived from the publication of advertisements to meet the advertising purpose of achieving advertising results</p>
Profit models	<p>The margin is derived from the fees we charged our customers less the costs of virtual tokens consumed</p> <p>Our profitability is principally derived from our ability to connect our customers with media publishers that we are able to enjoy lower costs due to bulk purchase of virtual tokens</p>	<p>The margin is derived from the revenue we generated from each effective result for our customers, deducted by our cost of services</p> <p>Our profitability is principally derived from successfully achieving the specific results from the advertisements, by effectively executing our advertising strategies and the advertising plans</p>

Different recognitions of revenue for our intermediary services and precision advertising services

Our intermediary services and precision advertising services both offer our customers with mobile advertising services at media publishers. However, our roles in conducting these two services are different, and we face unique business risks thereof during the course of our operations. As such, we recognise our revenue on different bases in accordance with HKFRS 15. We recognise revenue generated from our intermediary services on a net basis of revenue recognition and revenue generated from our precision advertising services on a gross basis of revenue recognition.

Revenue from our intermediary services is recognised under net basis with the following reasons:

- Our customers make the final decisions on which media publishers are used for their advertisements. Our key role is to handle the advertisement placements at media publishers as concluded and designated by them. We therefore have little control in the selection of media publishers.

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- The pricing mechanisms we charge our customers and as charged by our suppliers are identical, both of which are either CPC, CPD, CPT or CPM. The margin we earned therefore represents the difference in the advertising traffic costs to our customers and to us as a result of more preferential discounts we have from our suppliers due to bulk volume of virtual token consumptions.
- Our suppliers offer us with discounts on virtual tokens consumed for advertisements we placed. The degree of discounts varies, depending on the popularities and pricing policies of the suppliers. Our profit margin is therefore bounded by the selection of media publishers by our customers in placing the advertisements.
- We pay for our customers in advance for purchasing virtual tokens, which are in turn consumed after bidding of advertisement inventories. The advertisement inventories acquired upon successful bidding are not owned by us. Moreover, we have no commitment with our customers and suppliers to purchase advertisement inventories. We therefore do not subject to any inventory risk.

As a result of the above factors, we are in substance the agent of our customers in placing advertisements at their instructions. The revenue for our intermediary services is therefore recognised on net basis.

On the contrary, revenue from our precision advertising services is recognised under gross basis with the following reasons:

- During the course of our precision advertising services, we have the autonomy to plan and execute the advertisement placements and proposals. In particular, we have the discretion to determine the supplier(s) for placing the advertisements.
- We mostly charge our customers under the pricing mechanisms of CPS or CPA. In minimising our business risks, for most of the cases during the Track Record Period, pricing mechanisms used to charge our customers and as charged by our suppliers are identical. However, we also selected to place advertisements at media publishers which charge us at pricing mechanisms of CPC or CPD as we considered commercially fit during the Track Record Period. Such mismatch in pricing mechanisms may expose us to risk of loss making and it is similar to inventory risk.
- We liaise with our customers and suppliers commercial terms for each advertisement placed, which are determined based on, among others, the complexity in achieving the effective results. We are therefore in a position to seek for a profit margin we consider appropriate through commercial negotiations.
- The number of effective results derived from each advertisement is subject to our final agreement and confirmation between us and our customers. The billings to customers are determined based on the confirmed number of effective results obtained. We are subject to economic loss, for example, if the customers do not agree with the number of results so generated.

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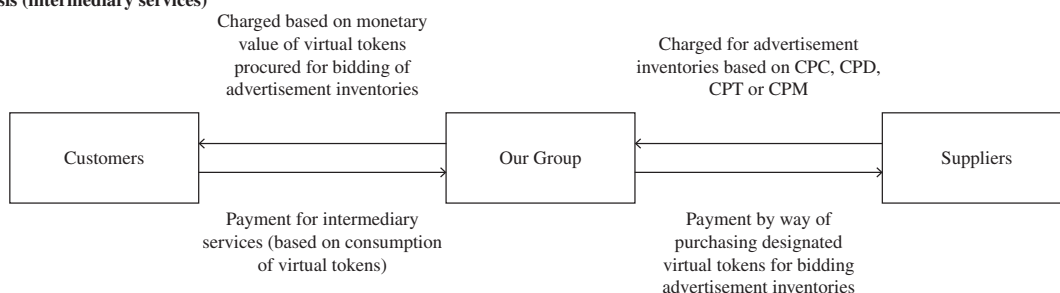
Owing to the above, we are in substance transacting effective results to our customers. The revenue for our precision advertising services is therefore recognised on gross basis.

During the course of the provision of our mobile advertising services, we generally incur more manpower for our intermediary services as compared to our precision advertising services. For our intermediary services, we are required to manually manage and operate the accounts of individual advertisement opened at the media publisher's advertising placement systems on a regular basis. Such operations include, among others, the input to bid advertisement inventories from time to time and if necessary, modifying the contents of our advertisement to improve the effectiveness of the advertisement. On the contrary, for our precision advertising services, we delegate the advertisement inventories procurement role to our suppliers. Our core value is to locate suitable suppliers for advertisement placements and to manage and supervise the performances of these suppliers through on-going monitoring of effective results obtained. Notwithstanding the difference in involvements of our manpower, the adoption of different revenue recognition bases for our intermediary services and precision advertising services is primarily due to the difference in our roles and business risks associated as set out above. The extent of involvements from our manpower is of less relevance in determining the revenue recognition bases.

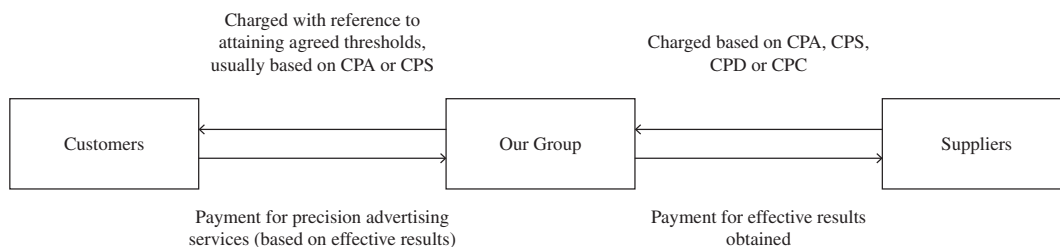
Please also refer to the section headed “Financial information – Critical accounting policies, estimates and judgments – Revenue recognition” of this prospectus for further details on our revenue recognition policy.

The following flowcharts illustrate the fund flow of net basis and gross basis revenue recognition methods:

Net basis (intermediary services)



Gross basis (precision advertising services)



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The following tables illustrate the revenue recognised by us during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Precision advertising services					
Gross revenue	80,959	210,656	236,086	65,735	92,268
Intermediary services					
Gross revenue	139,055	409,020	523,932	147,338	241,924
Less: advertising traffic costs	(117,444)	(364,761)	(478,084)	(135,852)	(218,954)
Net revenue	21,611	44,259	45,848	11,486	22,970
Total	102,570	254,915	281,934	77,221	115,238

Key operating information

The major types of advertisers' products and services covered by our service include mobile internet services, mobile utilities, financial services, e-commerce and mobiles games. The following tables set out the total revenue by advertisers' product type during the Track Record Period:

Gross revenue for both intermediary services and precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mobile internet services <i>(Note 1)</i>	127,519	58.0	327,736	52.9	388,072	51.0	97,170	45.6	184,510	55.2
Mobile utilities <i>(Note 2)</i>	56,820	25.8	174,585	28.2	142,768	18.8	48,094	22.6	62,871	18.8
Financial services <i>(Note 3)</i>	23,162	10.5	85,694	13.8	106,120	14.0	21,129	9.9	37,632	11.3
Mobile games <i>(Note 4)</i>	9,285	4.2	18,757	3.0	14,274	1.9	899	0.4	17,405	5.2
E-commerce <i>(Note 5)</i>	3,228	1.5	12,904	2.1	108,784	14.3	45,781	21.5	31,774	9.5
Total	220,014	100.0	619,676	100.0	760,018	100.0	213,073	100.0	334,192	100.0

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Revenue recognised on the net basis for our intermediary services and gross basis for our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mobile internet services (Note 1)	34,930	34.0	91,212	35.8	104,171	37.0	32,917	42.6	23,222	20.2
Mobile utilities (Note 2)	54,750	53.4	100,937	39.6	72,504	25.7	20,325	26.3	45,711	39.7
Financial services (Note 3)	2,958	2.9	43,975	17.2	84,095	29.8	18,741	24.3	36,306	31.5
Mobile games (Note 4)	8,370	8.2	12,453	4.9	2,389	0.8	390	0.5	1,563	1.4
E-commerce (Note 5)	1,562	1.5	6,388	2.5	18,775	6.7	4,848	6.3	8,436	7.2
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

Notes:

1. Mobile internet services include informative and entertainment mobile utilities, for instance, music applications, video browsing and sharing applications and news applications.
2. Mobile utilities refer to the mobile utilities that help maintain, monitor and manage the OS of, and perform tasks in, the mobile devices. Examples of which include web browsers, cleaner applications and anti-virus software.
3. Financial services are categorised as mobile utilities devised to facilitate the management and performance of financial actions. Banking applications, credit card applications, finance management applications and mobile payment applications are typical examples of financial services.
4. Mobile games are electronic games played on the mobile devices.
5. E-commerce include applications installed in mobile devices which enable app users to buy or sell their products on online marketplaces.

We began to place advertisements in video format in April 2018. The following tables set out the total revenue from still image and video format advertisements during the Track Record Period:

Gross revenue for both intermediary services and precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Still image format	220,014	100.0	581,644	93.9	379,939	50.0	114,870	53.9	157,487	47.1
Video format (Note)	—	—	38,032	6.1	380,079	50.0	98,203	46.1	176,705	52.9
Total	220,014	100.0	619,676	100.0	760,018	100.0	213,073	100.0	334,192	100.0

Note: Advertisements in video format means advertisements shown in a form of short video, usually accompanied with advertising content in still image.

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Revenue recognised on the net basis for our intermediary services and gross basis for our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Still image format	102,570	100.0	252,580	99.1	248,271	88.1	69,191	89.6	98,958	85.9
Video format (<i>Note</i>)	–	–	2,335	0.9	33,663	11.9	8,030	10.4	16,280	14.1
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

Note: Advertisements in video format means advertisements shown in a form of short video, usually accompanied with advertising content in still image.

The majority of our customers were advertisers, while we also provided services to advertising agents which in turn provided advertising services to their respective end-customers. The following tables set out the total revenue by customer type during the Track Record Period:

Gross revenue for both intermediary services and precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Advertisers	175,067	79.6	516,249	83.3	664,579	87.4	179,884	84.4	314,588	94.1
Advertising agents	44,947	20.4	103,427	16.7	95,439	12.6	33,189	15.6	19,604	5.9
Total	220,014	100.0	619,676	100.0	760,018	100.0	213,073	100.0	334,192	100.0

Revenue recognised on the net basis for our intermediary services and gross basis for our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Advertisers	73,773	71.9	175,848	69.0	208,968	74.1	48,996	63.4	103,811	90.1
Advertising agents	28,797	28.1	79,067	31.0	72,966	25.9	28,225	36.6	11,427	9.9
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

Key operating data in relation to the advertisements we placed***Intermediary services***

For our intermediary services, we generally do not have the authority to access or collect operating data or information containing personally identifiable information of users that is subject to data privacy protection. During the course of advertisement placement and for the purpose of monitoring the performance of the advertisements and reporting to some of our customers upon their requests on a case by case basis, we designate a group of project enhancers for continuously evaluating the effectiveness and performance of the advertisements through our DMP and/or logging in the advertising placement systems operated by the media publishers. The accessible data for reviewing the performance of the advertisement placements vary from case to case depending on our customers' expectations and advertising budgets. The collected and analysed data includes, among others, number of virtual tokens purchased or consumed, volume of impressions to the advertisements, conversion rate, click rate and/or download rate. We did not normally maintain full records of performance data of each advertisement we placed during the Track Record Period because (i) during the course of our business, we obtained and utilised the latest market data in analysing and making proposals to our customers to ensure that our analysis reflected the latest market trends that we consider most relevant to our customers; (ii) due to the difference in promotional strategies adopted in each advertisement for different advertising purposes and targets, we did not consider that historical performance data in proposing the advertising plans to our customers could be reused; and (iii) our customers used different parameters in evaluating the advertisements placed and therefore we only focused on specific data of each advertisement which our customers would concern and be interested. Accordingly, we believe that the historical data is of little relevance and little value to the business operations of our Group, save for the number of virtual tokens we purchased and consumed which is recorded by us as services fee calculations for accounting purposes, the above information is kept by us normally only for a limited period of time, usually for a few months. Moreover, some of the accesses of historical data concerning performance of advertisement placements (in particular for those advertisements which we placed at media publishers through other advertising agents) during the Track Record Period are no longer available due to the fact that (i) our Group has ceased business relationship with some of these advertising agents; (ii) we are given to understand that some of these advertising agents have no longer maintained the relevant accounts and ceased their business relationship with the underlying media publishers which possessed the data, rendering such data irretrievable; and (iii) the underlying media publishers impose limitation on time for retrieving historical data on performance of advertisement placements, ranging from six months to three years.

We are required by the media publishers to purchase designated virtual tokens in cash, before we can arrange the bidding of the advertisement inventories on our customers' behalves. To bid for advertisement inventories, we set the bid price of the intended advertisement inventory representing the number of virtual tokens in exchange for the advertisement inventories in terms of CPC, CPD, CPT or CPM, as the case may be. The consumption of virtual tokens is therefore the key parameter reflecting the actual consumption of the advertisement inventories for advertisement placements on a particular media publisher. Data relating to the consumption of virtual tokens allows us to quantify the advertising traffic costs incurred and hence the fees we charged our customers for the advertisement placements on each media publisher during the Track Record Period.

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The following tables set out the operating data in relation to virtual tokens consumed in the course of our intermediary services during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
Total virtual tokens consumed (millions)	162.21	492.37	761.63	313.31
Average price per each virtual token (RMB) ⁽¹⁾	0.86	0.83	0.69	0.77
Average costs per each virtual token (RMB) ⁽²⁾	0.72	0.74	0.63	0.70
Average margin (RMB)	0.14	0.09	0.06	0.07
<i>For advertisements charged based on CPC</i>				
Total virtual tokens consumed (millions)	54.04	292.42	646.44	291.80
Average price per each virtual token (RMB) ⁽¹⁾	0.68	0.75	0.65	0.76
Average costs per each virtual token (RMB) ⁽²⁾	0.60	0.68	0.59	0.69
Average margin (RMB)	0.08	0.07	0.06	0.07
<i>For advertisements charged based on CPD</i>				
Total virtual tokens consumed (millions)	90.91	141.86	63.26	12.56
Average price per each virtual token (RMB) ⁽¹⁾	0.92	0.94	0.92	0.94
Average costs per each virtual token (RMB) ⁽²⁾	0.79	0.84	0.87	0.88
Average margin (RMB)	0.13	0.10	0.05	0.06
<i>For advertisements charged based on CPT</i>				
Total virtual tokens consumed (millions)	16.15	50.68	24.42	7.13
Average price per each virtual token (RMB) ⁽¹⁾	1.08	1.01	0.94	0.95
Average costs per each virtual token (RMB) ⁽²⁾	0.72	0.82	0.83	0.75
Average margin (RMB)	0.36	0.19	0.11	0.20
<i>For advertisements charged based on CPM</i>				
Total virtual tokens consumed (millions)	1.11	7.41	27.51	1.83
Average price per each virtual token (RMB) ⁽¹⁾	1.07	0.86	0.88	0.94
Average costs per each virtual token (RMB) ⁽²⁾	0.93	0.80	0.82	0.89
Average margin (RMB)	0.14	0.06	0.06	0.05

(1) The average price per each virtual token was calculated based on the relevant revenue (based on the gross basis of revenue recognition) for the respective year divided by relevant number of virtual tokens consumed for the respective year.

(2) The average costs per each virtual token was calculated based on the relevant advertising traffic costs for the respective year divided by relevant number of virtual tokens consumed for the respective year.

During the Track Record Period, the virtual tokens were mainly consumed on the advertisement inventories charged based on CPC and CPD.

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For each click charged based on CPC, the average price per each virtual token were approximately RMB0.68, RMB0.75, RMB0.65 and RMB0.76 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively, while the average costs per each virtual token were approximately RMB0.60, RMB0.68, RMB0.59 and RMB0.69 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

For each download charged based on CPD, the average price per each virtual token remained stable at approximately RMB0.92, RMB0.94, RMB0.92 and RMB0.94 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively, while the average costs per each virtual token were approximately RMB0.79, RMB0.84, RMB0.87 and RMB0.88 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

The above fluctuation of advertisement inventories charged on CPC and CPD for the three years ended 31 December 2019 was mainly resulting from the situations that (i) as part of our business strategy, we had broadened our mix of media publishers and were competitive enough to expand our business with the first-tier media publishers (including, among others, Media Publisher C and Media Publisher F) during the Track Record Period, and we intend to continue to expand our business with these first-tier media publishers going forward, whose margins generated from advertisements placed were generally lower; and (ii) we recorded a decrease in the margin we earned from Media Publisher A for the year ended 31 December 2019 as we did not proportionally adjust the fees we charged to our customers in order to maintain our market competitiveness even though the respective advertising traffic costs increased. As a result, the average margins in relation to advertisement inventories charged on CPC and CPD reduced from approximately RMB0.08 and RMB0.13 for the year ended 31 December 2017 to approximately RMB0.06 and RMB0.05 for the year ended 31 December 2019, respectively.

Precision advertising services

For our precision advertising services, the following tables set out the key operating data during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
Gross revenue (RMB'000)	80,959	210,656	236,086	92,268
Advertising traffic cost (RMB'000)	61,472	167,674	187,327	71,881
Number of advertisements we handled	316	579	528	228
Average gross revenue (RMB'000)	256.20	363.83	447.13	404.68
Average advertising traffic cost (RMB'000)	194.53	289.59	354.79	315.27

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	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
Average margin (RMB'000)	61.67	74.24	92.34	89.41
<i>For advertisements charged based on CPA</i>				
Total effective actions confirmed by our customers ('000)	34,980	180,282	85,019	43,826
Average price per each effective action (RMB)	2.09	1.11	2.66	2.09
Average costs per each effective action (RMB)	1.59	0.89	2.13	1.63
Average margin (RMB)	0.50	0.22	0.53	0.46
<i>For advertisements charged based on CPS</i>				
Total effective sales generated to our customers (RMB'000)	18,745	25,115	16,780	462
Average price per effective sales of RMB1 (RMB)	0.42	0.40	0.55	0.46
Average costs per effective sales of RMB1 (RMB)	0.32	0.30	0.33	0.36
Average margin (RMB)	0.10	0.10	0.22	0.10

For advertisements charged based on CPA, the number of total effective actions confirmed by our customers increased from approximately 35.0 million for the year ended 31 December 2017 to 85.0 million for the year ended 31 December 2019 and 43.8 million for the four months ended 30 April 2020, which was in line with the increase in the revenue of our precision advertising services, while the average costs per each effective action increased from approximately RMB1.59 for the year ended 31 December 2017 to RMB2.13 for the year ended 31 December 2019, and we recorded average costs of approximately RMB1.63 for the four months ended 30 April 2020. The average price per each effective action we charged our customers were approximately RMB2.09, RMB1.11, RMB2.66 and RMB2.09 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

We recorded an increase in revenue generated from advertisements charged based on CPA from approximately RMB73.1 million to RMB200.1 million, RMB226.2 million and RMB88.4 million for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. However, there was a decrease in the average price, average cost and average margin per each effective action based on CPA in 2018 and this was mainly attributable to (i) the substantial increase in the number of effective actions arisen from reactivation of advertised products, which was mainly attributable to the substantial increase in effective

results generated on a number of advertising orders of Customer E in achieving reactivation results for some of its products in 2018. Reactivation is a form of action to re-engage the inactive users to use the advertised products. The average price and average cost per each reactivation result was generally lower (approximately RMB0.09 and RMB0.08 per effective action respectively) than that for other effective actions; and (ii) our adoption of a competitive pricing strategy (in particular for reactivation results) in order to retain, deepen and expand our relationships with our existing customers and attract new customers in light of the intensified competition in mobile advertising market. In 2019, the average price, average cost and average margin per effective action based on CPA increased to approximately RMB2.66, RMB2.13 and RMB0.53, respectively. This was mainly attributable to the advertising orders from Customer C, where the corresponding average price and average cost per effective actions were approximately RMB25.7 and RMB22.7, respectively given the complexity of effective actions so required (i.e. new user registrations).

For advertisements charged based on CPS, the total effective sales generated to our customers decreased from approximately RMB18.7 million for the year ended 31 December 2017 to RMB16.8 million for the year ended 31 December 2019 and RMB0.5 million for the four months ended 30 April 2020, while the average costs per effective sales of each RMB1 were relatively stable for the three years ended 31 December 2019 and increased to RMB0.36 for the four months ended 30 April 2020. The average price per effective sales of RMB1 we charged our customers were approximately RMB0.42, RMB0.40, RMB0.55 and RMB0.46 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The average margin based on CPS were approximately RMB0.10, RMB0.10, RMB0.22 and RMB0.10 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The increase in average price and average margin per effective sales in 2019 was mainly attributable to the advertising orders from a new customer (whose ultimate holding company is dual listed on Nasdaq and Main Board with a market capitalisation of approximately HK\$753.7 billion as at 31 July 2020 and is a leading e-commerce company operating an e-commerce platform in the PRC), which offered us a higher margin. The revenue generated from this customer amounted to approximately RMB2.1 million for the year ended 31 December 2019, representing approximately 23.2% of total revenue charged based on CPS in 2019.

Number of advertisements we placed

For our intermediary services, we consider advertisement placed by same customer, at the same media publisher, for the same product and during the same financial year as a unit of advertisement. The contents of the advertisements for the same product produced by our in-house design team which are placed with different media publishers are different in terms of designs, layout and formats so as to best suit the page layout of each media publisher, in order to achieve the advertising effectiveness of the advertisement placements targeted for different target audience group of the intended media publisher. Moreover, different media publishers operate their own advertising placement systems and offer us different discount rates for procuring their designated virtual tokens. As a result, we may offer different discount rates to our customers in relation to the advertisement placements on different media publishers

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even if the customer is advertising the same product, and therefore we count each advertisement placement by the same customer for the same product with each media publisher as a unit of advertisement. For our precision advertising services, we consider advertisement placed by same customer, for the same product and during the same financial year as a unit of advertisement. For each of the three years ended 31 December 2019 and the four months ended 30 April 2020, we handled the placements of 797, 1,467, 1,601 and 664 advertisements, respectively, out of which, 481, 888, 1,073 and 436 were advertisements for our intermediary services, while the remaining 316, 579, 528 and 228 were advertisements for our precision advertising services during the same periods, respectively. The following tables set out the details of advertisement placements which we handled during the three years ended 31 December 2019:

Range of gross revenue generated for advertisements we placed (RMB'000)	Nil to 42,802 (Note 1)
Average gross revenue generated for advertisements we placed (RMB'000)	414 (Note 1)
Range of duration for the completion of advertisements we placed (months)	1 to 12
Average duration for the completion of the advertisements we placed (months)	3.1

Notes:

- (1) No revenue was derived from some advertisements, as our customers were not satisfied with the results of trial advertisement placements, and we did not charge our customers for the advertising traffic costs incurred on trial advertisement placement. With actual costs incurred in the absence of revenue generated, these advertisements can be considered as loss-making.

As the majority of the advertisements we placed were charged based on the performances of advertisements under the price mechanism of CPC and CPD (for intermediary services) and CPA and CPS (for precision advertising services), the gross revenue so generated from these advertisements during the Track Record Period was highly diverse, depending on the popularity of the advertisements. We recorded gross revenue of over RMB10 million for some highly-popular advertisements but we also had numerous advertisements which only contributed gross revenue of less than RMB1,000. As a result, the upper range of gross revenue generated for advertisements we placed of approximately RMB42.8 million was substantially higher than the average of RMB0.4 million.

- (2) The Director considers that the information on advertisements we placed for the four months ended 30 April 2020 is not representative and may not be compatible to the calculation of average gross revenue and average duration as the advertisement placement might not have ended and the final gross revenue and duration of the advertisement therefore cannot be concluded under a short period of time of four months.

For the six months ended 30 June 2020, we handled the placements of 817 advertisements, out of which 532 were advertisements for our intermediary services, while the remaining 285 were advertisements for our precision advertising services.

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The following table sets out the movement of number of advertisements we placed during the Track Record Period:

Total

	As at 31 December			As at
	2017	2018	2019	30 April 2020
Opening balance	40	283	320	250
Additions during the year/period	757	1,184	1,281	414
Completion during the year/period	514	1,147	1,351	413
Year end/Period end balance	<u>283</u>	<u>320</u>	<u>250</u>	<u>251</u>

Intermediary services

	As at 31 December			As at
	2017	2018	2019	30 April 2020
Opening balance	11	153	221	165
Additions during the year/period	470	735	852	271
Completion during the year/period	328	667	908	283
Year end/Period end balance	<u>153</u>	<u>221</u>	<u>165</u>	<u>153</u>

Precision advertising services

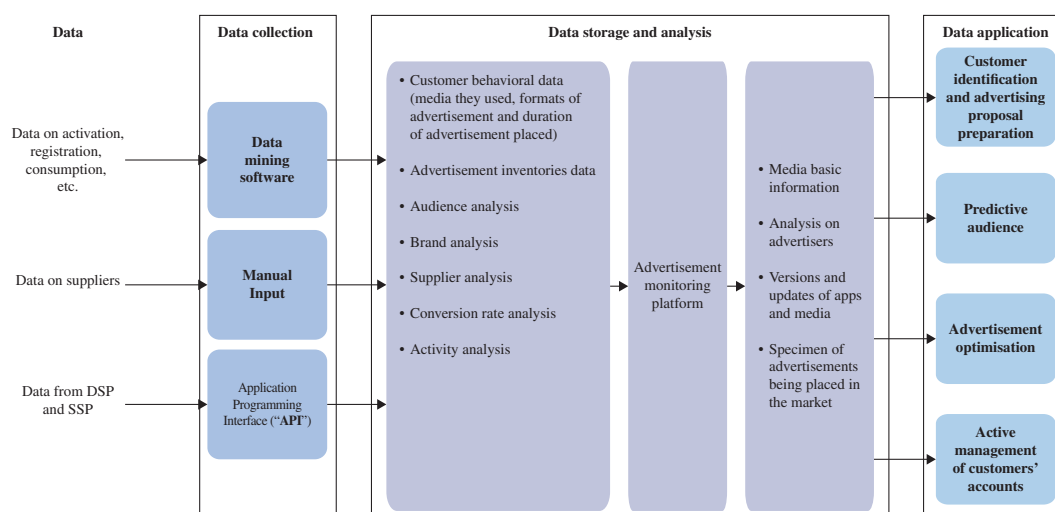
	As at 31 December			As at
	2017	2018	2019	30 April 2020
Opening balance	29	130	99	85
Additions during the year/period	287	449	429	143
Completion during the year/period	186	480	443	130
Year end/Period end balance	<u>130</u>	<u>99</u>	<u>85</u>	<u>98</u>

During the Track Record Period, we encountered some loss-making advertisements and the loss caused by these advertisements amounted to approximately RMB1.7 million, RMB2.0 million, RMB2.2 million and RMB0.3 million, respectively. Subsequent to the Track Record Period and up to 30 June 2020, we recorded total losses from our loss-making advertisements in the amount of approximately RMB103,000. The principal reason for the losses was that our customers were not satisfied with the results of trial advertisement placements, for example, failing to achieve the effective results in satisfactory numbers. To minimise the number of loss-making advertisements in the future, we would (i) provide trainings to our staff (including project enhancers) to improve their abilities of monitoring and evaluating the performance of advertisements for trial placements; and (ii) avoid trial advertisement placements if we had already experienced loss caused by certain type of advertisements on similar media publishers.

Albeit we may experience losses in certain advertisements, we believe that the arrangement for trial advertisement placement is essential for us to develop our current customer base and attract new advertising orders and that the profitability of our business would not be adversely affected in the long run.

OUR TECHNOLOGIES

We utilise our self-developed DMP to facilitate the data application process. The software shows the basic information of media publishers, advertising behaviour of advertisers, products which have been advertised, information of updates and versions of mobile app, media and specimens of advertisements. The following chart shows the major components of our DMP and their respective functions and processes:



Our technological process is attributable to our self-developed DMP (including our enterprise resource planning (ERP) systems). The key role of our DMP is to identify potential customers that may be interested in placing advertisements in our network of media publishers. Our DMP enables us to collect updated market data on advertisements placed from public domain, which would then be presented in a systematic way to our staff. Such data is related to the recent advertisements placed in the market and the results of our analysis are directly applicable to our customer sourcing and advertisement production process. On the other hand, to the best of the knowledge and belief of our Directors, our competitors (in particular those which operate their own media publishers) tend to be more user-oriented, i.e., focus on the data of their audience by observing their personal behaviour and habits so as to precisely arrange different advertisements appearing to the audience according to their own preferences and interests. The key functions of our DMP as well as their principal application in our service processes are as follows:

Data collection

The foundation of our DMP is the collection of data, hence our data mining system (爬蟲系統) is a vital tool built to collect market data from the public domain that are key in our customer sourcing and advertisement production process. The collected data are then processed and analysed such that our staff is able to know from the market that (i) the media publishers where potential customers placed their advertisements; (ii) contents of these advertisements and the format they used; and (iii) approximate number of impressions and duration of advertisements placed. Through the imposition of conditions and requirements and via the setting of limits and constraints by specific algorithms, specific market data can be obtained, thereby facilitating our staff to recommend potential media publishers to accomplish their desired advertising effects and goals.

Moreover, our DMP records certain parameters of advertising performance (such as number of clicks or downloads) of the advertisements placed by us. Our project enhancers obtain these data regularly, to review and compare the advertising performance and effectiveness proposed to our customers, which allows us to conduct advertising performance monitoring and evaluation along the advertising process.

Data storage

Market data obtained from our DMP would be further processed and distinctively categorised to obtain results including target audience group, media publishers, brand, advertising activities, effectiveness of advertisement placements, as well as particulars of media publishers, advertisers and mobile internet application, and thereby being readily searchable and locatable. Our DMP is also linked up with the advertising placement systems operated by the media publishers, whereby we are able to assess real-time performance data of the advertisements we placed. The collected data includes, among others, number of virtual tokens purchased or consumed, volume of impressions, click rate and/or download rate. Save for the number of virtual tokens we purchased and consumed, the above information is kept by us normally only for a limited period of time, usually for a few months. Armed with the ability to directly access and fetch processed data by using our DMP, our staff are able to provide timely and relevant advice to our customers throughout the whole advertising process, from evaluating the advertising effectiveness of the advertisements recently placed by us, forecasting of future performance of the strategy opted for, to ongoing adaptation and refinement of the approach implemented.

Data analysis

Through our DMP, we are able to get access to the information on particulars of our potential customers' advertisement placements, projects and approaches. We believe that our in-depth industry knowledge and keen awareness of the market data and trend is our formulae for effective advertisement placements. After sifting through the customers' information as collected and analysed, we would (i) gain an insight and understanding on the advertising behavior of the potential customers; (ii) explore new business opportunities by proposing and matching the products of the potential customers to be advertised with our network of media publishers and suppliers; and (iii) produce suitable advertisements according to the latest market trend. Furthermore, based on the performances of the advertisements, we would adjust the advertising strategies from time to time. Our DMP also delivers collected data and provides useful information to our project enhancers in the post-publication stage, which allows them to adjust and refine the advertising strategies and advertisement placements for better effectiveness, for instance, by switching to a different media publisher, opting for different placement time, modifying our bidding offers, amending the advertising contents or selecting another group of target audience to whom the advertisements will be presented.

Data application

The analysed market data and information is then applied to facilitate our business process. By analysing possessed market data, we acquaint ourselves with the advertisers' marketing campaigns and advertisements previously placed, and are empowered to identify potential customers. We also apply relevant market data to understand the performance of specific types of advertisements, having regard to their advertising contents as well as the media publisher at which they are published. Based on the information retrieved from our DMP, we can then formulate a customised advertising plan that we consider most suitable to our customers, such as advising them on the selection of the most suitable media publishers and advertisement formats, thereby maximising effectiveness of the advertisement placements.

Identifying potential customers and making advertising proposals

With our processed data, we are able to monitor the mobile advertising market, including participation rate of advertisers from different industries, and we will be able to identify the industries or products which may be interested in placing more mobile advertisements. The information assists us in preparing our advertising proposals for potential customers by suggesting which format of advertisement as well as type of media publisher will make their marketing campaign more cost-effective. Based on our analysis, we are able to understand (i) the popularity of a particular product such as a mobile application; (ii) the marketing efforts made by our potential customer to promote its product including the advertising method and the media publisher chosen for the advertisement placement; and (iii) the trend of advertisement contents by reviewing the most popular contents and materials contained in recent similar advertisements placed on various media publishers. Once business opportunities are identified by us through our DMP, our sales team will approach the potential customers with our tailored advertising proposals if necessary.

Predictive audience

Based on the market data we obtained, for example, the impressions and duration of the similar advertisements on media publishers, our Directors believe that we can further use internal predictive method to identify media publishers with potential audience that we consider most suitable for our customers for enhancing the effectiveness of our customers' advertisement placement, so as to achieve the advertising results in our advertising proposals.

Advertisement optimisation

During the course of advertisement placement, our project enhancers could access our DMP on a real-time basis and obtain and analyse relevant data for reviewing the performance of the advertisement placed. Such data obtained and analysed includes, among others, number of virtual tokens consumed, volume of impressions, conversion rate, click rate and/or download rate. Our project enhancers can then review the effectiveness of the advertisement placements as compared to their advertising proposals, and to consider if any modifications is required. Furthermore, upon request by our customers, the data on the performance of the advertisement we placed for our customers are also reported to our customers in the periodic reports, so to assist our customers in evaluating the performance of their marketing campaigns.

Active management of our customers' accounts

We have also developed the ERP system in our DMP, which is essentially a business process management software that utilises a system of integrated applications to manage the accounts and finance for our customers, whilst linking up with our back office functions, including services and human resources. Having a system which keeps complete and updated records, we can accurately bill our customers and, shall our customers wish to continue with their advertisements, we can readily locate the record of their accounts and arrange for the "topping-up" of such accounts.

RESEARCH AND DEVELOPMENT

Our big data and information technology capabilities, in particular our DMP, are crucial to our business operation, as we rely on the ability of our software and information technologies to obtain up-to-date advertising-related information, which enables us to provide tailor-made advertising and marketing advices to our customers, in particular the initial advertising proposals and the post-publication monitoring reports. Our information technology system is also important to other aspects of our daily operation, such as accounting and financing, which we rely on our internal accounting system to calculate the amounts of invoices for our customers. We also research for new format for advertisement, including video format advertisements, in order to broaden the variety of services we offer. Therefore, we are committed to continually enhancing and innovating our services, solutions and technologies. Our research and development process is primarily driven by customer demands and involves collaborative efforts across multiple teams, such as sales and marketing, and operation.

Headed by Mr. Yang, our chief technology officer who has more than ten years of experience in mobile internet industry, we had an experienced research and development team consisting of 19 personnel as at the Latest Practicable Date. Most of our research and development staff members hold college degrees or above, and are majored in computer sciences, software engineering or related subjects. Our research and development team is subdivided into four units for different responsibilities: (i) software development team (研發組) for designing and putting in place each software which operates in our existing system, including our DMP; (ii) terminal team (終端組) for researching for software development kit; (iii) backstage team (後台組) for enhancing and researching software system for our DMP; and (iv) innovation team (創新組) for exploring innovative directions for research and development of new technology. We also engaged third-party suppliers for conducting the testing or trial operation of our software system from time to time.

Our expenses for the purpose of research and development costs were approximately RMB6.2 million, RMB13.2 million, RMB11.2 million and RMB6.6 million, respectively, for the three years ended 31 December 2019 and the four months ended 30 April 2020, representing approximately 6.0%, 5.2%, 4.0% and 5.7%, respectively, of our total revenue for the same periods.

Our development process is continuously driven by innovation from our research and development team and demands from app developers. We encourage our employees to maintain close communications with our customers to understand their needs, in order to contribute to the exploration of new concepts for our research and development. After launching a research and development project, we continuously monitor and analyse system performance and continue to optimise our system's functions and performance.

Going forward, we intend to conduct the following research and development projects after the Listing:

- Improve our information technology capabilities to enhance the coverage, completeness and application of information provided by our DMP;
- Research for different mode of advertisement for publication; and
- Improve our post-publication monitoring system.

DATA PRIVACY AND SECURITY

During our ordinary course of business, we do not collect any personally identifiable information with our DMP or self-developed software which usually obtains advertising-related information. For data as accessed by us through the advertisement placement systems operated by the media publishers, the media publishers possess the database which may include personally identifiable information of users. However, the relevant information is subject to data privacy protection, and we do not have the authority to access or collect it from their advertisement placement systems. As advised by our PRC Legal Advisers, the anonymised non-identifiable data we received, which are open to the public and only related to the advertisements themselves, do not constitute as “personal information” under the applicable PRC privacy laws and regulations.

We also enter into confidentiality agreements with our employees who have access to any privacy information. The confidentiality agreements provide that, among others, these employees are legally obligated not to misuse the confidential information while in office, to surrender all confidential information in possession while resigning, and to retain their confidential obligations after they leave office. The employees bear compensation liability if they breach their confidential obligations or otherwise commit misconduct resulting in leakage of our confidential information.

We take safety precautions in information storage and processing. Our information technology network is configured with multiple layers of protection to secure our databases and servers. We back up user data on a daily basis in separate secured data back-up system to minimise the risk of user data loss or leakage. We have also implemented a variety of protocols and procedures, such as regular system checks, password policy, server access logging, network access authentication, user authorisation review and approval and data back-up, as well as data recovery test, to safeguard our data assets and prevent unauthorised access to our network. We continue to improve and enhance our data and system security through timely upgrades and maintenance to ensure the proper management of our operational data. During the Track Record Period, there were no incidents of material security breach in respect of our data storage. As confirmed by our Directors and PRC Legal Advisers, during the Track Record Period and as of the Latest Practicable Date, we were not aware of any administrative penalties, litigation or arbitration against us for the violation of PRC privacy laws and regulations.

SALES AND MARKETING

We have a sales and marketing team consisting of sales personnel with extensive experience in China's internet and mobile technology industries. We have sales and marketing teams in both Shenzhen and Beijing. As of the Latest Practicable Date, our sales and marketing team consisted of 11 employees, which is headed by Mr. Dong, our chief executive officer who has over nine years of experience in mobile internet industry. Our sales and marketing team's staff maintains regular contact with our existing and prospective customers to better understand their business needs. Our sales and marketing team also participates in industry marketing conference for acquainting advertisers and suppliers. Our sales and marketing team also reviews the market data from our DMP in relation to market trend in mobile advertising industry, and it serves a critical role in preparing advertising proposals to customers with comprehensive information about our services and projected performance of different media publishers. For the three years ended 31 December 2019 and the four months ended 30 April 2020, our selling and distribution expenses amounted to approximately RMB0.5 million, RMB3.2 million, RMB4.1 million and RMB0.9 million respectively.

Our sales and marketing team is also responsible to (i) provide after-sale services; and (ii) handle some of the customer's complaints for advertisement placements (complaints are co-handled by our account executive and staff in customer services team).

We have adopted procedures for handling customer's complaints, which account executive staff will, upon receiving report from our sales team about the customer's complaint, discuss with chief operating officer or precision advertising services team, and come up with a remedial proposal for further negotiation with customers and for sales team's execution. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from our customers which resulted in monetary compensations to our customers by us.

OUR IN-HOUSE DESIGN TEAM

Our in-house design team consists of advertising designers, graphic designers, user interface designer, photographers, photo editors and video editors, who are responsible for designing, editing and producing advertising contents in the formats of still image and video. The main duty of our design team is to create advertising contents or enhance the quality of advertising materials provided by our customers. By presenting the advertising contents to audience in a more effective and eye-catching way, we aim to achieve the forecasted effectiveness of advertisement placements for our intermediary services and to meet the targeted effective results for our precision advertising services. As of the Latest Practicable Date, we had 47 employees working in our in-house design team.

SEASONALITY

In the mobile advertising industry, advertising agents commonly experience seasonal fluctuations in revenues. For example, many advertisers allocate the largest portion of their budgets in holiday seasons in order to coincide with increased holiday purchasing. Generally, advertisers spend more on mobile advertising services in the second half of the year than in the first half, as e-commerce companies conduct sales typically in the second half of the year. Nevertheless, since we have established a customer base which comprises customers from different industries, and since we actively approach our customers with advertising proposals throughout the year, our Directors believe that we do not experience material fluctuations in our operations due to seasonality.

COVID-19

Since early 2020, COVID-19 has been rapidly spreading throughout China and the globe. Several cities in China have imposed travel restrictions in an effort to curb the spread of the virus. We consider that the recent outbreak of COVID-19 has not adversely affected our business operations in material aspects, as the business processes of our intermediary services and precision advertising services are mostly conducted in electronic means. We adopted a work-from-home policy which allowed our staff to report their duties at home. They were able to remotely access our key computer systems and our DMP to carry out their daily business activities. Moreover, the publication of advertisements is normally conducted online (for example, through the advertising placement systems of the media publishers), we neither encountered any material supply chain disruptions, nor experienced difficulties on discharging our obligations under our existing advertising orders.

According to the F&S Report, on the contrary, online entertainment and shopping during the epidemic have developed even more rapidly than before. Consumers' consumption habits and purchasing behavior have changed. Advertisers have adjusted advertising strategies and focused more on mobile advertising. In light of success of the PRC's anti-pandemic efforts the macro economy has been gradually recovering and the spending on advertising is expected to recover. Moreover, as people are forced to stay home during the outbreak, they are more exposed to mobile advertisings. Advertisers are more willing to make investment on mobile advertising. Therefore, the overall expenditure on mobile advertising in China is expected to witness a growth as a whole but at a lower rate comparing to previous years.

As at the Latest Practicable Date, our daily business operations had fully resumed and all our staff had reported their duties at our office premises. As a precautionary measure to cater with the recent outbreak of COVID-19, our staff is provided with protective masks and alcohol-based handrub at work. We also arrange regular sanitisations at our office premises. While the extent to which the outbreak of COVID-19 will affect our operations cannot be predicted at this stage, we have not experienced and do not expect significant financial damage or impact to our long-term commercial prospect from the outbreak of COVID-19. However, there is no assurance that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations. For details, please refer to the section headed "Risk Factors – We face risks related to natural disasters and health epidemics" of this prospectus.

OUR CUSTOMERS

Our customers are advertisers from a multitude of industries with advertising needs at the mobile internet media, including leading mobile internet enterprise and mobile app developers. Our key customers included pioneering and leading information technology conglomerates of China whose securities are listed on recognised stock exchanges. As an industry norm, advertisers usually do not directly liaise with major media publishers, especially for top media, since it is not cost-effective for top media to maintain a large team of manpower to handle advertisement placement requests from numbers of advertisers. To the best of the knowledge of our Directors, our Group's customers usually maintain multiple mobile advertising companies (such as our Group) to cater their advertising needs instead of performing the advertising functions in-house because (i) mobile advertising companies are able to reach a wide coverage of media publishers to suit their advertising needs; (ii) it is more economic for them to do so as mobile advertising companies usually offer competitive prices as they are able to make bulk purchases of virtual tokens from the media publishers; (iii) our Group (as well as some other mobile advertising companies) is willing to and capable of paying for the customers in advance in purchasing virtual tokens; and/or (iv) value-added services are provided to the customers. Details of value-added services provided by us to customers are described in the paragraphs headed "Reasons for our customers to engage us for advertising services" in this section. The most common products and services advertised by our customers include mobile internet services, mobile utilities, financial services, e-commerce and mobile games. A minority of our customers are advertising agents which also provide advertising services to their end-customers.

We served 279, 469, 592 and 275 customers for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. We evaluate the trustworthiness of our customers from time to time before entering into any formal engagement for the provision of advertising services. We review, among others, the turnover of the customer, its history and reputation, the products or services it is seeking to market and promote, the length of business relationship, the punctuality of payment, and the potential of obtaining useful data from the customer. For new customers which we are not familiar with, we may request for advance payments before the commencement of the advertisement placements.

The aggregate revenue generated from our top five customers were approximately RMB61.5 million, RMB131.7 million, RMB182.3 million and RMB88.1 million, respectively, for the three years ended 31 December 2019 and the four months ended 30 April 2020, which accounted for approximately 60.0%, 51.7%, 64.6% and 76.5%, respectively, of our total revenues during the same periods. For the same periods, our largest customer contributed to approximately RMB32.3 million, RMB51.8 million, RMB85.2 million and RMB48.0 million respectively of our revenue, representing approximately 31.5%, 20.3%, 30.2% and 41.7% of our total revenue, respectively. The credit terms we granted to our top five customers during the Track Record Period ranged from five to 45 days from our date of invoice, or we will conduct a monthly audit for settlement if so agreed with the customers, and they usually settled our invoices by bank transfer.

Please refer to the section headed "Risk factors – We were exposed to concentration risk of heavy reliance on a limited number of major customers." of this prospectus in relation to the position on concentration of customer and a series of products.

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

The following table sets forth certain information of our major customers based on revenue recognised on the net basis for our intermediary services and gross basis for our precision advertising services during the Track Record Period.

For the year ended 31 December 2017

Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on net basis RMB'000	Total RMB'000	Percentage of total revenue %	Advertising services provided
1.	Customer A (Note 2)	Since 2016	31,990	345	32,335	31.5	Intermediary services and precision advertising services
2.	Customer B (Note 3)	Since 2017	11,742	12	11,754	11.5	Intermediary services and precision advertising services
3.	Shenzhen Fei Ling Wu Xian Technology Limited* (深圳市非零無限科技有限公司) (Note 4)	Since 2017	6,103	67	6,170	6.0	Intermediary services and precision advertising services
4.	Tianjin Luo Yi Ying Technology Limited* (天津洛逸盈科技有限公司) (Note 5)	Since 2016	6,112	(10) (Note 11)	6,102	6.0	Intermediary services and precision advertising services
5.	Hangzhou Tai Yi Pan Dian Information Technology Limited* (杭州泰一盤點信息技術有限公司) (Note 6)	Since 2017	5,157	–	5,157	5.0	Precision advertising services
Total			<u>61,104</u>	<u>414</u>	<u>61,518</u>	<u>60.0</u>	

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For the year ended 31 December 2018

Rank	Customers <i>(Note 1)</i>	Commencement of business relationship	Revenue of our precision advertising services on gross basis <i>RMB'000</i>	Revenue of our intermediary services on net basis <i>RMB'000</i>	Total <i>RMB'000</i>	Percentage of total revenue %	Advertising services provided
1.	Customer B <i>(Note 3)</i>	Since 2017	51,731	86	51,817	20.3	Intermediary services and precision advertising services
2.	Customer A <i>(Note 2)</i>	Since 2016	32,049	2,634	34,683	13.6	Intermediary services and precision advertising services
3.	Customer C <i>(Note 7)</i>	Since 2018	21,638	–	21,638	8.5	Precision advertising services
4.	Customer D <i>(Note 8)</i>	Since 2018	12,020	7	12,027	4.7	Intermediary services and precision advertising services
5.	Customer E <i>(Note 9)</i>	Since 2017	9,950	1,633	11,583	4.6	Intermediary services and precision advertising services
Total			<u>127,388</u>	<u>4,360</u>	<u>131,748</u>	<u>51.7</u>	

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For the year ended 31 December 2019

Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on net basis RMB'000	Total RMB'000	Percentage of total revenue %	Advertising services provided
1.	Customer B (Note 3)	Since 2017	72,399	12,844	85,243	30.2	Intermediary services and precision advertising services
2.	Customer C (Note 7)	Since 2018	44,913	–	44,913	15.9	Precision advertising services
3.	Customer D (Note 8)	Since 2018	25,487	1	25,488	9.0	Intermediary services and precision advertising services
4.	Customer A (Note 2)	Since 2016	14,607	304	14,911	5.3	Intermediary services and precision advertising services
5.	Customer F (Note 10)	Since 2017	9,012	2,700	11,712	4.2	Intermediary services and precision advertising services
Total			166,418	15,849	182,267	64.6	

For the four months ended 30 April 2020

Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on net basis RMB'000	Total RMB'000	Percentage of total revenue %	Advertising services provided
1.	Customer B (Note 3)	Since 2017	35,574	12,431	48,005	41.7	Intermediary services and precision advertising services

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Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on net basis RMB'000	Total RMB'000	Percentage of total revenue %	Advertising services provided
2.	Customer C (Note 7)	Since 2018	26,997	–	26,997	23.4	Precision advertising services
3.	Customer F (Note 10)	Since 2017	4,594	1,987	6,581	5.7	Intermediary services and precision advertising services
4.	Customer G (Note 12)	Since 2019	3,436	–	3,436	3.0	Precision advertising services
5.	Customer A (Note 2)	Since 2016	3,091	38	3,129	2.7	Intermediary services and precision advertising services
Total			<u>73,692</u>	<u>14,456</u>	<u>88,148</u>	<u>76.5</u>	

The following tables set forth certain information of our major customers based on gross revenue for both intermediary services and precision advertising services during the Track Record Period for illustrative purpose.

For the year ended 31 December 2017

Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on gross basis RMB'000	Total RMB'000	Percentage of total gross revenue %	Advertising services provided
1.	Customer A (Note 2)	Since 2016	31,990	2,940	34,930	15.9	Intermediary services and precision advertising services
2.	Customer H (Note 13)	Since 2017	53	19,198	19,251	8.7	Intermediary services and precision advertising services
3.	Customer I (Note 14)	Since 2016	658	14,977	15,635	7.1	Intermediary services and precision advertising services

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Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on gross basis RMB'000	Total RMB'000	Percentage of total gross revenue %	Advertising services provided
4.	Customer J (Note 15)	Since 2016	–	13,934	13,934	6.3	Intermediary services
5.	Customer B (Note 3)	Since 2017	11,742	50	11,792	5.4	Intermediary services and precision advertising services
Total			44,443	51,099	95,542	43.4	

For the year ended 31 December 2018

Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on gross basis RMB'000	Total RMB'000	Percentage of total gross revenue %	Advertising services provided
1.	Customer H (Note 13)	Since 2017	26	77,929	77,955	12.6	Intermediary services and precision advertising services
2.	Customer A (Note 2)	Since 2016	32,049	21,446	53,495	8.6	Intermediary services and precision advertising services
3.	Customer B (Note 3)	Since 2017	51,731	424	52,155	8.4	Intermediary services and precision advertising services
4.	Customer K (Note 16)	Since 2017	63	51,266	51,329	8.3	Intermediary services and precision advertising services
5.	Customer L (Note 17)	Since 2018	–	40,630	40,630	6.6	Intermediary services
Total			83,869	191,695	275,564	44.5	

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For the year ended 31 December 2019

Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on gross basis RMB'000	Total RMB'000	Percentage of total gross revenue %	Advertising services provided
1.	Customer B (Note 3)	Since 2017	72,399	109,891	182,290	24.0	Intermediary services and precision advertising services
2.	Customer F (Note 10)	Since 2017	9,012	41,134	50,146	6.6	Intermediary services and precision advertising services
3.	Customer L (Note 17)	Since 2018	–	45,768	45,768	6.0	Intermediary services
4.	Customer C (Note 7)	Since 2018	44,913	–	44,913	5.9	Precision advertising services
5.	Customer K (Note 16)	Since 2017	–	30,795	30,795	4.1	Intermediary services
Total			<u>126,324</u>	<u>227,588</u>	<u>353,912</u>	<u>46.6</u>	

For the four months ended 30 April 2020

Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on gross basis RMB'000	Total RMB'000	Percentage of total gross revenue %	Advertising services provided
1.	Customer B (Note 3)	Since 2017	35,574	118,788	154,362	46.2	Intermediary services and precision advertising services
2.	Customer F (Note 10)	Since 2017	4,594	27,418	32,012	9.6	Intermediary services and precision advertising services
3.	Customer C (Note 7)	Since 2018	26,997	–	26,997	8.1	Precision advertising services

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Rank	Customers (Note 1)	Commencement of business relationship	Revenue of our precision advertising services on gross basis RMB'000	Revenue of our intermediary services on gross basis RMB'000	Total RMB'000	Percentage of total gross revenue %	Advertising services provided
4.	Customer M (Note 18)	Since 2018	–	16,529	16,529	4.9	Intermediary services
5.	Customer N (Note 19)	Since 2019	–	8,723	8,723	2.6	Intermediary services
Total			<u>67,165</u>	<u>171,458</u>	<u>238,623</u>	<u>71.4</u>	

Notes:

- Some of our customers are associated with each other. To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, customers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single customer.
- A group of companies based in the PRC, and to the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company of which is listed on the Shanghai Stock Exchange with a market capitalisation of approximately RMB131 billion as at 31 July 2020. It principally engages in development of internet technology, which particular focus on internet safety.
- A group of companies based in the PRC, which according to the latest annual report published by their ultimate holding company, the ultimate holding company of which is listed on the Main Board. The market capitalisation of the ultimate holding company was approximately HK\$5.1 trillion as at 31 July 2020. It principally engages in the business of operation of social communication platform, mini programmes, payment platform and cloud storage.
- A limited company established in the PRC, engaging in the business of development of mobile software with a registered share capital of approximately RMB0.97 million.
- A limited company established in the PRC, engaging in the business of advertising with a registered share capital of RMB1.0 million.
- A limited company established in the PRC, whose holding company is listed on the Shanghai Stock exchange with a market capitalisation of approximately RMB7.8 billion as at 31 July 2020. It principally engages in provision of advertising services and software development.
- A limited company established in the PRC, with a registered share capital of RMB1.5 billion, which operates a third-party payment platform providing account transfer, payment, repayment, small amount loans, money management and other services.
- A limited company and its subsidiary, both established in the PRC, engaging in the business of; among others, internet technology, design and production of advertisements and acting as advertising agents with registered share capital of RMB10.1 million and RMB5.0 million respectively.
- Two companies established in the PRC, which are related companies and engaging in the business of operating a video sharing mobile app with registered share capital of RMB1.0 million and US\$300 million respectively.
- A group of companies based in the PRC, and to the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is dual listed on the New York Stock Exchange and Main Board (listed in November 2019). As at 31 July 2020, the market capitalisation of the ultimate holding company was approximately US\$688 billion. It principally engages in the business of core commerce, cloud computing, digital media and entertainment and innovation initiatives.
- The loss in our intermediary services was caused by trial advertisement placements.
- A company based in the PRC which is listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB259 billion as at 31 July 2020. It is a national joint stock bank headquartered in Shenzhen.

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13. Two companies based in the PRC, which operates a video platform for uploading and viewing the video. Such video platform categorises itself as an entertainment mobile application for sharing life, exploring the world, self-improvement and happiness. To the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is listed on the Nasdaq. As at 31 July 2020, the market capitalisation of the ultimate holding company was approximately US\$41.3 billion.
14. A limited company established in the PRC, with a registered share capital of RMB41.0 million, engaging in the business of providing Internet digital reading services for Internet users and the related copyright operation and value-added services.
15. A group of companies based in the PRC, and to the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is listed on the Hong Kong Stock Exchange. As at 31 July 2020, the market capitalisation of the ultimate holding company was approximately HK\$881.8 million. The companies provide personal credit management services and credit card technology services.
16. A limited company established in the PRC, with a registered share capital of RMB8.0 million, which is a supplier of application software products and services. To the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is listed on the New York Stock Exchange. As at 31 July 2020, the market capitalisation of the ultimate holding company was approximately US\$339.9 million.
17. A group of companies based in the PRC, which operates a social media and e-commerce platform in the form of a mobile app which allows users to post and share product reviews, travel blogs and lifestyle stories via short videos and photos.
18. A limited company established in the PRC, with a registered share capital of US\$200 million, engaging in the business of; among others, developing and designing computer hardware and software, communication technology and products, selling self-developed products and providing technology transfer, technology consulting and technical service of the above products and other services.
19. A limited company established in the PRC with a registered share capital of US\$430 million, engaging in the business of, among others, the technology development, technology transfer, technology consulting and technical services of computer hardware and software and other services. It operates a Chinese content-based Internet platform which provides comprehensive knowledge.

Salient terms of customer agreements

Prior to placing order, we usually enter into a framework service agreement with our customers, which is usually for a term of one year and renewable in the next calendar year. The following are the salient terms of the framework service agreement:

- *Fee arrangements.* For intermediate services, we charge our customers the monetary value of virtual tokens consumed for advertisement placement with reference to different pricing mechanisms of CPC, CPD, CPT or CPM. In some cases for intermediary services, the media publishers and the charging basis are also specified in the agreement. For precision advertising services, some of the agreements also provide the different thresholds for different scale of fees payable based on effective results achieved and we charge our customers mostly based on CPA or CPS. No upfront payment of service fees is generally required from our customers. We issue monthly or interim bill upon auditing the figures for advertisement placements among us and the customers. Some of the agreements also contain a template for prescribed form of confirmation of the amount of virtual tokens to be procured and/or the range of bid price for bidding the advertisement inventories;
- *Placement of advertisements.* Before every advertisement is published pursuant to the framework service agreement, the parties are to complete the prescribed order form in order to confirm certain essential terms of the placement, including the

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contents of the advertisement, media publisher designated and the fees payable by our customer, as well as the payment method;

- *Rights and obligations of the parties.* The customers are responsible for ensuring the advertisement contents or materials provided by them comply with laws and regulations and do not infringe any third party's intellectual property rights. We are responsible to provide draft of the advertising materials prior to three business days of the intended date of publication, and undertake not to harm the customers' goodwill and reputation when preparing the advertising materials;
- *Confidentiality.* The parties agree not to disseminate user data, commercial information, technical know-how, software programming, passcodes, trademark and patents, or any other confidential information, to any third party; and
- *Termination.* The agreement can be terminated by either party with a 30-day written notice.

We believe that we have been able to establish a loyal customer base owing to the quality of advertising services we provide. The following table sets forth the number of repeat customers with their revenue contribution to our Group (based on gross basis of revenue recognition for both intermediary services and precision advertising services) during the Track Record Period:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April 2020
Number of repeat customers	19	138	204	197
Total gross revenue generated by repeat customers (RMB'000)	49,409	396,933	561,376	324,013
Percentage of gross revenue generated from these customers to our total gross revenue (%)	22.5	64.1	73.9	97.0
Churn rate (%) ⁽¹⁾	24.0	50.5	56.5	66.7
Retention rate (%) ⁽²⁾	76.0	49.5	43.5	33.3

Notes:

- (1) Churn rate is calculated based on the total number of customers served at the beginning of the relevant year/period minus the number of repeat customers of the relevant year/period, and then divided by the total number of customers served at the beginning of the relevant year/period and multiplied by 100%.
- (2) Retention rate is calculated based on the number of repeat customers of the relevant year/period divided by the total number of customers served at the beginning of the relevant year.

We recorded an increase in churn rate of our customers during the Track Record Period from approximately 24.0% for the year ended 31 December 2017 to approximately 66.7% for

the four months ended 30 April 2020. The increase in churn rate was primarily due to the strengthening in our customer base over the period through developing relationships with new customers. Our number of customers increased from 279 in 2017 to 592 in 2019. Notwithstanding our expansion and development in customer base during the Track Record Period, given the limited capital resources we had from time to time, we strategically focused on and allocated our resources to key customers who we intend to retain close business relationships with and these key customers included members of leading technology or internet companies in the PRC. As such, the churn rate of our customers increased during the Track Record Period, while we recorded an increasing portion of gross revenue from our repeat customers which accounted for approximately 22.5%, 64.1%, 73.9% and 97.0% of our total gross revenue during the Track Record Period. Based on the above and the significant increase in gross revenue of our Group from approximately RMB220.0 million for the year ended 31 December 2017 to RMB760.0 million for the year ended 31 December 2019, we believe that the high churn rate does not have a material adverse impact to our business operations.

Increasing business transactions with Customer B

For the three years ended 31 December 2019 and the four months ended 30 April 2020, Customer B has been one of our top five customers (and the largest customer since 2018), contributed to approximately 11.5%, 20.3%, 30.2% and 41.7%, respectively, of our total revenue for the corresponding periods. Customer B is a leading internet company group in the PRC, principally engaging in the business of operation of social communication platform, mini programmes, payment platform and cloud storage. Customer B consists of a number of group companies, which are each responsible for promoting different products. We began our business relationship with Customer B since 2017. In the beginning, Customer B mostly engaged us for precision advertising services. Since 2019, Customer B also started engaging us for our intermediary services, which led to a substantial increase in transaction amount with us. We have not entered into long term service agreement with Customer B. We believe that our business relationship with Customer B has been developing well during the Track Record Period, as evidenced by the fact that (i) there was an increase in advertising budget allocated to us by Customer B during the Track Record Period; (ii) increasing number of group companies of Customer B started to engage us for our mobile advertising services during the Track Record Period; and (iii) Customer B has been placing their advertisements on more media publishers arranged by us. Having considered the business relationship development with Customer B as stated above, as well as the fact that there are increasing numbers of group companies of Customer B engaging us for mobile advertising services for its different products, our Directors consider that the likelihood that our relationship with Customer B (which consists of numbers of its group companies) will have material adverse change or terminate is remote.

Our Directors further consider that shall there be termination or material adverse change of our business relationship with Customer B, with the established supplier base and the mix of choices of media publishers, as well as our increasing number of customers during the Track Record Period, we will be able to secure advertising orders from other existing or potential customers. In particular, for the three years ended 31 December 2019 and the four months ended 30 April 2020, we have provided mobile advertising services to 279, 469, 592 and 275

customers, respectively. Our key customers also include the group member of the prominent market players and conglomerates of the mobile internet industry of China, whose securities are listed on recognised stock exchanges, which provide a wide range of products and services including mobile internet services, mobile utilities, financial services, e-commerce and mobile games. We will continue to develop a balanced mix of media publishers for intermediary services to reach a wider spectrum of customers, in order to further expand our customer base.

OUR SUPPLIERS

For our intermediary services, our suppliers include top media and their advertising agents. These top media are major online media publishers such as popular search engines and news-feed media with their own advertising placement system for inventories bidding which would grant the status of core advertising agent to a limited number of mobile advertising companies. Whereas we can directly place advertisements on the media publishers which have recognised us as their core advertising agents, we also engage advertising agents for placement of advertisements at other media publishers.

For our precision advertising services, our suppliers normally include advertising agents of long to medium tailed media, which are medium-sized mobile apps or small-sized media publishers such as games and e-commerce apps. Long to medium tailed media generally has a vast variety of traffic sources, and we usually engage multiple suppliers for each advertising order made by our customers to achieve the targeted effective results at measurable costs.

Suppliers for intermediary services

Our suppliers for the intermediary services are ultimately media publishers (i.e. app developers and technology companies which offer advertisement inventories through their proprietary media). We reach media publishers either directly in our capacity as core advertising agents of these media publishers or through other advertising agents. Upon analysing the relevant market data mined by our self-developed software, we advise on suitable media publishers and types of advertisement to our customers, subject to their final decisions. One characteristic of our intermediary services is that we manage and operate an account, which is created for each advertisement, on our customer's behalves at the advertising placement system of the chosen media publisher. Following the confirmation of orders from our customers, we then purchase virtual tokens by cash for our customers at the designated advertising placement system for future bidding of advertisement inventories.

Depending on the type of advertisement inventories (mostly in the form of news-feed advertisement or app store advertisement), these advertisement inventories are produced by media publishers each time the user accesses the app or the media (except advertisement inventories charged based on costs per time, which may be seen by all users accessing the media).

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For advertisement inventories, we bid for advertisement inventories for our customers when the advertisements are about to publish at that media publisher. We will publish the advertisement immediately after the advertisement inventories are successfully bidden. Therefore there are no advertisement inventories held by us.

We reached four media publishers in 2016 and subsequently 41, 45, 30 and 13 media publishers during the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively, for our intermediary services. The decrease in media publishers we reached for the year ended 31 December 2019 was mainly caused by discontinuance of transactions with media publishers with low revenue contributions. The following tables set forth certain information of some of the major media publishers for our intermediary services, which the relevant advertisements of our customers aggregately contributed to over 75% of the total gross revenue (based on gross basis recognition) of our intermediary services, during each of the year in the Track Record Period.

For the year ended 31 December 2017

Rank	Media publishers	Corresponding gross revenue RMB'000	Percentage of total gross revenue %	Corresponding advertising traffic costs RMB'000	Percentage of total advertising traffic costs %	Margin %
1.	Media Publisher A (Note 1)	83,198	59.8	68,818	58.6	17.3
2.	Media Publisher B (Note 2)	32,561	23.4	27,499	23.4	15.5
Total		115,759	83.2	96,317	82.0	

For the year ended 31 December 2018

Rank	Media publishers	Corresponding gross revenue RMB'000	Percentage of total gross revenue %	Corresponding advertising traffic costs RMB'000	Percentage of total advertising traffic costs %	Margin %
1.	Media Publisher A (Note 1)	123,343	30.2	101,892	27.9	17.4
2.	Media Publisher B (Note 2)	89,661	21.9	78,783	21.6	12.1
3.	Media Publisher C (Note 3)	62,219	15.2	58,933	16.2	5.3
4.	Media Publisher D (Note 4)	49,157	12.0	45,153	12.4	8.1
Total		324,380	79.3	284,761	78.1	

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For the year ended 31 December 2019

Rank	Media publishers	Corresponding gross revenue <i>RMB'000</i>	Percentage of total gross revenue %	Corresponding advertising traffic costs <i>RMB'000</i>	Percentage of total advertising traffic costs %	Margin %
1.	Media Publisher E (Note 5)	148,641	28.4	128,585	26.9	13.5
2.	Media Publisher F (Note 6)	116,118	22.1	110,465	23.1	4.9
3.	Media Publisher C (Note 3)	106,171	20.3	98,860	20.7	6.9
4.	Media Publisher A (Note 1)	43,789	8.4	38,721	8.1	11.6
Total		414,719	79.2	376,631	78.8	

For the four months ended 30 April 2020

Rank	Media publishers	Corresponding gross revenue <i>RMB'000</i>	Percentage of total gross revenue %	Corresponding advertising traffic costs <i>RMB'000</i>	Percentage of total advertising traffic costs %	Margin %
1.	Media Publisher E (Note 5)	108,509	44.9	96,135	43.9	11.4
2.	Media Publisher F (Note 6)	49,405	20.4	46,032	21.0	6.8
3.	Media Publisher D (Note 4)	27,850	11.5	25,576	11.7	8.2
4.	Media Publisher C (Note 3)	21,440	8.9	19,868	9.1	7.3
Total		207,204	85.7	187,611	85.7	

Notes:

- Media Publisher A is an app store allowing smart phone users to download apps on their smart phones, which is operated by a supplier based in the PRC. According to the latest annual report published by the ultimate holding company of the company operating Media Publisher A, the ultimate holding company of which is listed on the Main Board. The market capitalisation of the ultimate holding company was approximately HK\$5.1 trillion as at 31 July 2020.
- Media Publisher B is a mobile operating system which manages the applications and programs in mobile phones. Media Publisher B is operated by a company, which is a subsidiary of a multinational conglomerate, which is dual listed on the New York Stock Exchange and Main Board with a market capitalisation of approximately US\$683 billion as at 31 July 2020, with businesses comprising of core commerce, cloud computing, digital media, entertainment, as well as innovation initiatives.
- Media Publisher C is a platform operated by a supplier based in the PRC, which is for the publication of advertisements on various apps including messaging app, social media app, music app and news app. According to the latest annual report published by the ultimate holding company of the company operating Media Publisher C, the ultimate holding company of which is listed on the Main Board. The market capitalisation of the ultimate holding company was approximately HK\$5.1 trillion as at 31 July 2020.

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4. Media Publisher D is a leading free peer-to-peer wifi sharing platform which enables free internet access worldwide through peer-to-peer wifi hotspots sharing. Its self-developed mobile application provides free internet and content services to its users.
5. Media Publisher E is a platform that aggregate articles and short videos from professional media and freelancers and presents customised feeds to users. Our placement of advertisements on Media Publisher E is through Supplier C.
6. Media Publisher F is an app which shares and publishes news and videos online covering a wide range of contents, including entertainment, games, sports, finance and live videos.
7. We are recognised as the core advertising agent of Media Publisher B, D, E and F. For Media Publisher A and C, we procured the advertisement inventories from such media publishers either through their core advertising agents or advertising agents with access to the advertisement inventories.

The following tables set out the gross and net revenues together with related margins for our intermediary services generated from first-tier media publishers and other media publishers during the Track Record Period:

First-tier media publishers

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April 2020
Gross revenue (RMB million)	7.3	119.4	251.1	75.5
Percentage of total gross revenue from intermediary services	5.3%	29.2%	47.9%	31.2%
Net revenue (RMB million)	0.3	7.8	16.1	5.4
Percentage of total net revenue from intermediary services	1.5%	17.7%	35.2%	23.4%
Margin	4.6%	6.6%	6.4%	7.1%

Other media publishers (media publishers that are not first-tier media publishers)

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April 2020
Gross revenue (RMB million)	131.7	289.6	272.8	166.5
Percentage of total gross revenue from intermediary services	94.7%	70.8%	52.1%	68.8%
Net revenue (RMB million)	21.3	36.4	29.7	17.6
Percentage of total net revenue from intermediary services	98.5%	82.3%	64.8%	76.6%
Margin	16.2%	12.6%	10.9%	10.6%

It is our business strategy to expand our supplier network by reaching more media publishers with an aim to offer more varieties for our customers and broaden the audience base. The media publishers being used for advertisements vary across our customers depending on, among others, their preferences, budgets and target audience to be reached. Depending on the popularity of media publishers in the mobile advertising market, media publishers offer different discounts to us. Some first-tier media publishers with stable and large traffic usually have strict agency review system and the discounts provided to us are generally lower. For the second-tier media publishers, they tend to provide relatively higher discounts to us so as to maintain their competitiveness in the market against those first-tier media publishers. Thus, we earn different levels of margin for advertisements published at different media publishers. Even though we may recommend our customers for media publishers for the publication of their advertisement, as our customers make the final choice of media publishers to be used for placing advertisements, our profit margin was affected by their preferences and varied across the Track Record Period.

For the years ended 31 December 2018 and 2019, the net revenue for our intermediary services increased from approximately RMB44.3 million to RMB45.8 million, respectively, which our gross revenue for the intermediary services increased from approximately RMB409.0 million to RMB523.9 million for the same period. The overall margin for our intermediary services decreased from approximately 10.8% to 8.8% for the years ended 31 December 2018 and 2019, respectively. The decrease in such margin was mainly due to the increase in transaction amounts with the first-tier media publishers (which offered us less discount for procuring advertisement inventories, and thus thinner margins, in particular, Media Publisher C and Media Publisher F) during the year ended 31 December 2019. Despite that we earned thinner margins from these first-tier media publishers, our transaction amounts with them increased because (i) they were, in general, the first-tier media publishers with stable and large traffic, as well as high degree of user stickiness and reliable performance; (ii) by increasing our market share in the mobile advertising agency market and achieving profit-making performance during Track Record Period, we expand our businesses with these first-tier media publishers; (iii) we become more cost competitive through bulk purchases of virtual tokens from these first-tier media publishers, and to mitigate the risk that certain other media publishers become less popular overtime; and (iv) some second-tier media publishers which offered us relatively higher margins experienced a decrease in number of active users or mobile traffic during the years ended 31 December 2018 and 2019, and hence fewer advertisements were placed at these media publishers.

Media publishers recognised us as their core advertising agents

For some of these media publishers, we are recognised as their core advertising agents. In return, we are offered preferential discounts for our purchase and consumption of virtual tokens. For the three years ended 31 December 2019 and the four months ended 30 April 2020, the gross revenue attributable to media publishers having recognised us as their core advertising agents amounted to approximately RMB35.2 million, RMB175.4 million, RMB336.7 million and RMB194.6 million, respectively, representing approximately 25.3%, 42.9%, 64.3% and 80.4% of our total gross revenue of the intermediary services. To become

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the core advertising agents of these media publishers, we have to pass through the selection procedures and to meet the criteria set by them. For details of selection criteria, please refer to paragraph headed “Eligibility criteria for core advertising agents” below.

Given the fast changing business environment in the mobile advertising market, we explore, review and adjust potential and existing potential cooperations with media publishers and our supplier network from time to time. In particular, for the first-tier media publishers with high user stickiness or the second-tier media publishers with positive growth potential, we may explore the opportunities to be their core advertising agents. The following table sets forth the movement in the number of media publishers which recognised us as their core advertising agent:

	As at 31 December			As at 30 April 2020	As at the Latest Practicable Date
	2017	2018	2019		
Beginning number of media publishers	–	3	7	11	8
Additions during the year	3	4	5	–	–
Deductions during the year/period	–	–	(1)	(3)	(1)
Closing number of media publishers	<u>3</u>	<u>7</u>	<u>11</u>	<u>8</u>	<u>7</u>

During the three years ended 31 December 2019 and the four months ended 30 April 2020, we had additions of three, four, five and nil of media publishers which recognised us as core advertising agents. During the Track Record Period and up to the Latest Practicable Date, we ceased business relationships with five media publishers as their core advertising agents upon the expiry of respective supplier agreements as we only had minimal transactions with them. For the three years ended 31 December 2019 and the four months ended 30 April 2020, the aggregated transaction amount with these media publishers after we were recognised as their core advertising agents were approximately RMB0.5 million, RMB5.6 million, RMB8.5 million and nil, respectively. Our Directors therefore believe that the cessation of business relationships with these media publishers would not have material negative impacts to our operations.

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We were recognised as the core advertising agents of three, seven, 11 and eight media publishers as at 31 December 2017, 2018 and 2019, and 30 April 2020, respectively. During the Track Record Period, we normally recorded increasing businesses with media publishers after being recognised as their core advertising agents. The development of business relationships with these media publishers is essential to our business expansions as they accounted for an increasing portion of our total advertising traffic costs for our intermediary services during the Track Record Period. The following table illustrates the advertising traffic costs on advertisements published at media publishers before and after recognising us as their core advertising agents for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020:

Media publishers	Time of first being recognised as core advertising agent	Before being recognised as core advertising agents			After being recognised as core advertising agents		
		For the year ended		For the four months ended	For the year ended		For the four months ended
		2017	2018	2019	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Media Publisher G (Note 1)	January 2017	-	-	-	514	2,563	859
Media Publisher H (Note 2)	January 2017	-	-	-	2,090	25,727	33,483
Media Publisher B (Note 3)	January 2017	-	-	-	27,499	78,783	14,163
Media Publisher E (Note 4)	February 2018	3	-	-	-	4,305	128,585
Media Publisher D (Note 5)	March 2018	573	374	-	-	44,779	11,771
Media Publisher I (Note 6)	October 2018	133	2,196	-	-	1,592	7,407
Media Publisher J (Note 7)	January 2018	-	-	-	-	1,453	-
Media Publisher F (Note 8)	January 2019	901	1,192	-	-	-	110,464
Media Publisher K (Note 9)	January 2019	78	14	-	-	-	154
Media Publisher L (Note 10)	January 2019	-	-	-	-	-	83
Media Publisher M (Note 11)	July 2019	-	-	-	-	-	51
Media Publisher N (Note 12)	December 2019	-	-	2	-	-	2
							7
Total		1,688	3,776	2	30,103	159,202	307,022
							176,247
Total advertising traffic costs for our intermediary services					117,444	364,761	478,084
Approximate percentage of total advertising traffic costs for our intermediary services					25.6%	43.7%	64.2%
							80.5%

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Notes:

1. Media Publisher G is a web browser and an application store which provides a platform for the users to download a great variety of applications for their mobile devices. We ceased to be its core advertising agent upon the expiry of the relevant supplier agreement on 31 December 2019.
2. Media Publisher H is a platform for users to download mobile applications for their devices. Media Publisher H is operated by a company, which is a subsidiary of a leading global provider of information and communication technology infrastructure and smart devices.
3. Media Publisher B is a mobile operating system which manages the applications and programs in mobile phones. Media Publisher B is operated by a company, which is a subsidiary of a multinational conglomerate, which is dual listed on the New York Stock Exchange and Main Board with a market capitalisation of approximately US\$683 billion as at 31 July 2020, with businesses comprising of core commerce, cloud computing, digital media, entertainment, as well as innovation initiatives.
4. Media Publisher E is a platform that aggregate articles and short videos from professional media and freelancers and presents customised feeds to users. Our placement of advertisements on Media Publisher E is through Supplier C.
5. Media Publisher D is a leading free peer-to-peer wifi sharing platform which enables free internet access worldwide through peer-to-peer wifi hotspots sharing. Its self-developed mobile application provides free internet and content services to its users.
6. Media Publisher I provides a search and search-related advertising services which enable advertisers' promotional links to be displayed on the search result pages and other apps where the links are relevant to the subject and content of searches. Media Publisher I is operated by a company, which is a subsidiary of a leading search engine in China by mobile queries and listed on the New York Stock Exchange with a market capitalisation of approximately US\$3.3 billion as at 31 July 2020. We ceased to be its core advertising agent upon expiry of the relevant supplier agreement on 30 June 2020.
7. Media Publisher J is a platform that allows advertisers to publish their advertisements, including interactive advertisements which its operating company also offers marketing proposals to advertisers.

We ceased to be its core advertising agent after the expiry of the relevant supplier agreement in January 2019 and stopped arranging advertisement placements on Media Publisher J thereafter as we only had minimal transactions with it during the year ended 31 December 2018, and thus the transaction amount for the year ended 31 December 2019 was nil.

8. Media Publisher F is an app which shares and publishes news and videos online covering a wide range of contents, including entertainment, games, sports, finance and live videos.
9. Media Publisher K is an advertising platform for the publication of advertisements on the mobile apps including mobile utilities apps and entertainment apps owned by a company which is a technology company established in the PRC, the shares of its ultimate holding company were listed on the New York Stock Exchange with a market capitalisation of approximately US\$340 million as at 31 July 2020. We ceased to be its core advertising agent upon the expiry of the relevant supplier agreement on 31 December 2019.
10. Media Publisher L is an online social media allowing users to share photos, videos and text. We ceased to be its core advertising agent upon the expiry of the relevant supplier agreement on 31 December 2019.
11. Media Publisher M is a mobile application allowing the app users to publish, share and watch videos. The app users can earn money through using this mobile application.
12. Media Publisher N is a mobile news application recommending the news to the app users in which they may be interested, including local and international news, as well as news in relation to social issues, fashion, entertainment and celebrities.

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Operating data covering media publishers which recognised us as core advertising agents

As a core advertising agent, we are able to gain access to key operating information on accounts created by us for our customers in relation to the advertisements placed by us. For the three years ended 31 December 2019 and the four months ended 30 April 2020, the gross revenue attributable to media publishers after recognised us as their core advertising agents accounted for approximately 25.3%, 42.9%, 64.3% and 80.4% of the total gross revenue generated by our intermediary services, respectively.

The following table sets out the average charged rates, average traffic costs and impressions of advertisements of our intermediary services involving advertisement inventories procured and charged based on CPC and CPD through media publishers recognised us as their core advertising agents so far as the relevant data was aware or available to our Company during the Track Record Period: –

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
<i>For each click charged based on CPC</i>				
Average charged rate (RMB)	0.36	0.43	0.24	0.41
Average traffic costs (RMB)	0.30	0.38	0.22	0.37
Average margin (RMB)	0.06	0.05	0.02	0.04
Total number of clicks (millions)	91.10	332.10	1,094.02	457.69
<i>For each download charged based on CPD</i>				
Average charged rate (RMB)	3.63	3.31	3.58	5.17
Average traffic costs (RMB)	3.62	3.30	3.54	5.02
Average margin (RMB)	0.01	0.01	0.04	0.15
Total number of downloads (millions)	0.58	6.91	9.35	1.59
Impressions of advertisements (billions) ⁽¹⁾	10.83	37.85	58.98	21.18

(1): Impressions of advertisements are the total number of views of our advertisements for the periods indicated.

For each click charged based on CPC of the relevant advertisements, the average charged rate were approximately RMB0.36, RMB0.43, RMB0.24 and RMB0.41 for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively, while the average traffic costs increased from approximately RMB0.30 for the year ended 31 December 2017 to RMB0.38 for the year ended 31 December 2018, and then decreased to RMB0.22 for the year ended 31 December 2019 and increased to approximately RMB0.37 for the four months ended 30 April 2020. The decrease in the average margin for each click charged based on CPC, particular for the year ended 31 December 2019, was mainly attributable to the fact that (i) we had become a core advertising agent of Media Publisher F (a first-tier media publisher) in 2019, whose margin generated was generally lower with an average margin of RMB0.02 per click; and (ii) our gross revenue generated from advertisements placed at Media Publisher F amounted to approximately 22.1% of total gross revenue from our intermediary services in 2019.

For each download charged based on CPD of the relevant advertisements, the charged rate decreased from approximately RMB3.63 for the year ended 31 December 2017 to RMB3.31 for the year ended 31 December 2018, and then increased to RMB3.58 for the year ended 31 December 2019 and to approximately RMB5.17 for the four months ended 30 April 2020, while the average traffic costs decreased from approximately RMB3.62 for the year ended 31 December 2017 to RMB3.30 for the year ended 31 December 2018, and then increased to approximately at RMB3.54 for the year ended 31 December 2019 and to approximately RMB5.02 for the four months ended 30 April 2020. The high average margin for each download charged based on CPD for the year ended 31 December 2019 and the four months ended 30 April 2020, were mainly attributable to our success in bargaining a higher fee since 2019 for advertisement placement in Media Publisher H considering the slim average margin achieved in the past years. As to impressions of advertisements, the number increased from approximately 10.83 billion for the year ended 31 December 2017 to 37.85 billion for the year ended 31 December 2018, and further increased to approximately 58.98 billion for the year ended 31 December 2019.

Eligibility criteria for core advertising agents

We are recognised as core advertising agents of media publishers either through the tender process or commercial negotiations. We receive invitations from media publishers from time to time to submit tenders for the status of core advertising agents. The criteria of being core advertising agents vary among the media publishers. In general, they would consider the eligibility of the applicants by taking into account factors including (i) historical advertising transaction amounts; (ii) customer base; (iii) network of media publishers; (iv) human resources, in particular the number of sales personnel and project enhancers; (v) cash-flow sufficiency; and/or (vi) market reputations. If we consider that being the core advertising agent of these media publishers would be beneficial to our business expansions, we would submit the applications, along with relevant supporting documents and/or proposal, for the purpose of initial screening. Limited numbers of applicants will then be selected for further assessments through interviews and presentations. If we obtain the status of core advertising agents, we will enter into the core advertising agent agreements with such media publisher. During the Track Record Period, we became core advertising agents through the tender process for Media Publisher B and Media Publisher D. Set out below are the key selection criteria set out by Media Publisher B and Media Publisher D:

- | | |
|-------------------|--|
| Media Publisher B | <ul style="list-style-type: none">• A total of eight core advertising agents would be selected• Top five mobile advertising agents in terms of historical transaction amounts with Media Publisher B would be automatically recognised• The remaining three was selected based on, among others, the daily transaction amount within the examination period set by Media Publisher B |
|-------------------|--|

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- | | |
|-------------------|---|
| Media Publisher D | <ul style="list-style-type: none">• Quality of customer base and key media publishers we were working with• Solid business expansion plan• Maintain an independent team of no less than 15 personnel with at least two years of relevant experiences• To attend and participate in activities (such as trainings and industrial events) organised by Media Publisher D |
|-------------------|---|

Other than Media Publisher B and Media Publisher D, during the Track Record Period, we obtained the status of core advertising agents with media publishers through commercial negotiations. The media publishers normally accepted us as their core advertising agents based on, among others, our market reputations, service qualities and established customer base. For instance, we were able to be recognised as core advertising agents of media publishers as we believe we were becoming more competitive in the market. This can be demonstrated by the facts that (i) we performed well in our intermediary services as our business scale kept expanding with substantial growth in gross revenue recorded from intermediary services during the Track Record Period from approximately RMB139.1 million for the year ended 31 December 2017 to RMB523.9 million for the year ended 31 December 2019. Our gross revenue recorded from intermediary services reached approximately RMB241.9 million for the four months ended 30 April 2020; (ii) we have strengthened our customer base over the Track Record Period and recorded an increase in number of customers from 279 in 2017 to 592 in 2019; and (iii) we have developed a solid and strong customer portfolio and our key customers included members of leading technology or internet companies in the PRC. Moreover, we have direct access to these customers and are able to connect our customers with media publishers directly. Approximately 79.6%, 83.3%, 87.4% and 94.1% of our gross revenue was generated from advertisers directly during the Track Record Period. On the other hand, in considering whether we would take up the role of the core advertising agents of those media publishers, we usually consider factors include (i) the scale of target audience and market position of these media publishers; (ii) their growth potential in performance and target audience; (iii) the preference of our customers; and (iv) the business synergies with our existing supplier network.

After being the core advertising agents, our performances are assessed by the media publishers from time to time. In order to maintain the status of core advertising agents, we generally have to comply with the terms of the core advertising agent agreements. Except for Media Publisher G which set out in the supplier agreement for the target transaction amounts of RMB4.5 million and RMB5 million for the years ended 31 December 2018 and 2019, respectively, all other media publishers did not set out specific targets in terms of transaction amount. For Media Publisher G, the supplier agreement did not specify, nor we did not experienced, any consequence of not achieving the target transaction amount. We ceased to be its core advertising agent as we had minimal transactions with it for the three years ended 31 December 2019. In addition, we are provided with various missions by the media publishers from time to time. The missions are generally to reach certain level of transaction amounts within a prescribed period of time. These missions serve as incentive programmes from the media publishers and we are able to obtain additional rewards (i.e. additional discounts on purchasing virtual tokens) should we accomplish the missions. Our performances are usually

assessed by the media publishers annually or quarterly based on, among others, the quality of services we offered, the level of virtual tokens consumptions and the accomplishment of missions. We may renew the relevant supplier agreements as core advertising agents or cease to maintain the status of the core advertising agents upon their expiry.

As a core advertising agent of our media publishers, we tend to recommend those media publishers to our customers if we consider them being capable of achieving the advertising strategies of our customers. Nonetheless, our customers have the final choice of media publishers to be used for placing advertisements for intermediary services. Therefore, although we generally have cost advantages as a core advertising agent because of the favourable discount scheme offered by the media publishers, we consider that certain media publishers may not be preferred by our customers for advertisement placements during the Track Record Period. For example, we only had minimal transactions with Media Publisher G, Media Publisher J, Media Publisher K and Media Publisher L as we view that our customers were less interested in placing advertisements at them. Therefore, we ceased to maintain the status of the core advertising agents with these media publishers upon the expiry of relevant supplier agreements. Given the minimal transaction amounts with these media publishers, our Directors believe that cessation of business relationships with them would not have material negative impacts on us and our business operation.

Benefits as core advertising agents

We are usually offered preferential discounts to the virtual tokens consumed for procuring advertisement inventories once we obtain the status of core advertising agent. Moreover, for some media publishers, they adopted a progressive discount scheme as incentive, which an additional discount will be offered to us (as core advertising agent) upon attaining a certain higher level of transaction amount, but there is no commitment of us to reach such higher transaction amount. Based on these terms we are offered, we are able to lower our advertising traffic costs after being the core advertising agents of our media publishers. The following table illustrates the changes in our advertising traffic cost (in terms of cost per each virtual token) charged by our major media publishers which recognised us as their core advertising agents (i.e. Media Publisher E, Media Publisher D, Media Publisher I and Media Publisher F) during the Track Record Period. Media Publisher K and Media Publisher N are not included in this analysis as their transaction amounts with us were minimal and hence not representative. For Media Publisher B, Media Publisher G, Media Publisher H, Media Publisher J, Media Publisher L and Media Publisher M, we had no transaction with these media publishers before we were recognised as their core advertising agents during the Track Record Period.

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Average cost per virtual token before and after recognised us as core advertising agent (RMB)		
	Before	After
Media Publisher E	0.94	0.65
Media Publisher D	0.74	0.72
Media Publisher I	0.86	0.82
Media Publisher F	0.88	0.87

In addition, customers have the tendency to select core advertising agents over advertising agents of lower rank, because such status is reflective of their professionalism and quality of service. We also benefited from closer business relationship with media publishers recognising us as their core advertising agents, as we had more support from them and more access to information such as the click rate or download rate of the advertisements placed by us, as well as training offered to our staff, thereby enhancing the quality of advertising services we provided to our customers.

We are able to gain larger market share in the industry through boosting up the transaction amounts and further enhance our revenue as a result. We consider that the preferential discount and more comprehensive supporting services available upon becoming core advertising agents of media publishers will enhance our competitiveness in the intermediary services.

Media publishers not having recognised us as their core advertising agents

For media publishers which do not recognise us as their core advertising agents, we procure the advertisement inventories from such media publishers through their core advertising agents or other advertising agents with access to the advertisement inventories. During the Track Record Period, we are usually offered a flat discount rate for virtual tokens consumed.

We procure from advertising agents for advertisement inventories of these media publishers pursuant to our customers' requests. Taking into account, among others, (i) the inability of meeting transaction amount target in a progressive discount scheme for the core advertising agent of the media publisher due to limitation on our working capital; and (ii) the flat discount rate to virtual tokens consumed offered by advertising agents could be more favourable to us if we fail to attain certain transaction amount target as mentioned, we might decide to procure advertisement inventories through advertising agents rather than obtaining the status of core advertising agent of corresponding media publisher due to cost-effectiveness.

Suppliers for precision advertising services

Our suppliers for the precision advertising services are mostly advertising agents which are responsible for arranging advertisements to be published on various long to medium tailed media, which have a variety of traffic sources and are more suitable for our precision advertising services. Since there are numerous long to medium tailed media in the mobile advertising market, and which the industry is fragmented, we consider that due to the potential huge manpower required, it is not cost-effective for us to be the advertising agents for a large number of long to medium tailed media. Further, the long to medium tailed media are rather discrete and distinct than top media in terms of market coverage and audience group, so we require the services from third party advertising agents to reach the suitable long to medium tailed media publishers to ensure reaching the most suitable audience and maximising the effective results for our customers. In addition, as the core concern of our customers for our precision advertising services is on the effective results triggered from the advertisements and the services fees are charged based on such measurable results, we engage third party advertising agents such that the advertisements can be placed at wide coverage of media publishers in order to maximise the effective results. We manage and mostly engage advertising agents with established connection with numerous long to medium tailed media for arranging advertisement placements. We select the suppliers for our precision advertising services based on their reputation, historical performances and genuineness of effective results recorded during the course of businesses. As the work for liaising with the media publishers is delegated to our advertising agents, we generally have a lower level of manpower required for each advertisement placement under our precision advertising services compared to that of our intermediary services.

Our top five suppliers accounted for approximately 46.2%, 30.2%, 35.6% and 47.2% of our cost of services for each of the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. For the same periods, our largest supplier accounted for approximately 17.0%, 12.1%, 13.6% and 25.5% of our cost of services, respectively. The credit terms granted by our top five suppliers, during the Track Record Period to us ranged from three to 20 business days from invoice, otherwise the suppliers shall deduct the amount of prepayments we made. We usually arranged the payment to suppliers by bank-to-bank transfer.

We generally sign a framework agreement with our suppliers for advertisement inventories. Under the agreement, we are obligated to ensure that the content we provide does not violate the applicable advertising laws and regulations nor infringe any third party intellectual property rights. Traffic acquisition is made based on the needs in specific advertisement placements that we conduct for our customers, and payment is made after the effective results are confirmed. For details, please refer to the paragraph headed “Salient terms of supplier agreements” below.

Due to the revenue recognition method we adopted, of which we recognised revenue generated from our intermediary services on a net basis after deducting advertising traffic cost, all transaction amounts of our top suppliers as illustrated in the following table are attributable to our precision advertising services only. The following tables set forth details of our top five suppliers during the Track Record Period.

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For the year ended 31 December 2017

Rank	Suppliers	Commencement of business relationship	Transaction amount <i>RMB'000</i>	Percentage of cost of services %
1.	Supplier A (<i>Note 1</i>)	Since 2017	10,687	17.0
2.	Shenzhen Aissuer Group (<i>Note 2</i>)	Since 2017	8,221	13.0
3.	Supplier B (<i>Note 3</i>)	Since 2017	3,812	6.1
4.	Beijing Yao Xin Shi Ji Technology Co., Ltd.* (北京耀新世紀科技有限公司) (<i>Note 4</i>)	Since 2017	3,230	5.1
5.	Shanghai Zhuota Information Technology Co., Ltd* (上海卓塔信息技術有限公司) (<i>Note 5</i>)	Since 2016	3,169	5.0
Total			<u>29,119</u>	<u>46.2</u>

For the year ended 31 December 2018

Rank	Suppliers	Commencement of business relationship	Transaction amount <i>RMB'000</i>	Percentage of cost of services %
1.	Supplier A (<i>Note 1</i>)	Since 2017	21,244	12.1
2.	Xi'an Whale Interactive Information Technology Co., Ltd.* (西安鯨魚互動信息 技術有限公司) (<i>Note 6</i>)	Since 2017	9,472	5.4
3.	Shanghai Zhuota Information Technology Co., Ltd* (上海卓塔信息技術有限公司) (<i>Note 5</i>)	Since 2016	7,812	4.5
4.	Beijing Yao Xin Shi Ji Technology Co., Ltd.* (北京耀新世紀科技有限公司) (<i>Note 4</i>)	Since 2017	7,456	4.2
5.	Supplier C (<i>Note 7</i>)	Since 2018	<u>6,961</u>	<u>4.0</u>
Total			<u>52,945</u>	<u>30.2</u>

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For the year ended 31 December 2019

Rank	Suppliers	Commencement of business relationship	Transaction amount <i>RMB'000</i>	Percentage of cost of services %
1.	Shenzhen Chenmu Technology Co., Ltd.* (深圳市晨沐科技有限公司) (<i>Note 8</i>)	Since 2018	27,271	13.6
2.	Supplier D (<i>Note 9</i>)	Since 2019	16,398	8.2
3.	Beijing Yao Xin Shi Ji Technology Co., Ltd.* (北京耀新世紀科技有限公司) (<i>Note 4</i>)	Since 2017	11,610	5.8
4.	Supplier E (<i>Note 10</i>)	Since 2019	8,522	4.2
5.	Supplier A (<i>Note 1</i>)	Since 2017	7,532	3.8
Total			<u>71,333</u>	<u>35.6</u>

For the four months ended 30 April 2020

Rank	Suppliers	Commencement of business relationship	Transaction amount <i>RMB'000</i>	Percentage of cost of services %
1.	Supplier A (<i>Note 1</i>)	Since 2017	19,182	25.5
2.	Supplier F (<i>Note 11</i>)	Since 2018	4,788	6.3
3.	Supplier G (<i>Note 12</i>)	Since 2016	4,569	6.1
4.	Supplier H (<i>Note 13</i>)	Since 2017	4,413	5.9
5.	Supplier I (<i>Note 14</i>)	Since 2019	2,560	3.4
Total			<u>35,512</u>	<u>47.2</u>

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The following table sets forth certain information of our major suppliers based on gross advertising traffic costs for both intermediary services and precision advertising services during the Track Record Period for illustrative purpose.

For the year ended 31 December 2017

Rank	Suppliers	Commencement of business relationship	Gross advertising traffic costs <i>RMB'000</i>	Percentage of total gross advertising traffic costs %
1.	Supplier J (<i>Note 15</i>)	Since 2017	34,403	19.3
2.	Shenzhen Aissuer Group (<i>Note 2</i>)	Since 2017	31,465	17.6
3.	Supplier K (<i>Note 16</i>)	Since 2017	27,959	15.6
4.	Supplier A (<i>Note 1</i>)	Since 2017	10,787	6.0
5.	Supplier L (<i>Note 17</i>)	Since 2017	5,908	3.3
Total			<u>110,522</u>	<u>61.8</u>

For the year ended 31 December 2018

Rank	Suppliers	Commencement of business relationship	Gross advertising traffic costs <i>RMB'000</i>	Percentage of total gross advertising traffic costs %
1.	Supplier K (<i>Note 16</i>)	Since 2017	79,891	15.0
2.	Shenzhen Aissuer Group (<i>Note 2</i>)	Since 2017	72,313	13.6
3.	Supplier M (<i>Note 18</i>)	Since 2018	41,046	7.7
4.	Supplier J (<i>Note 15</i>)	Since 2017	38,402	7.2
5.	Supplier N (<i>Note 19</i>)	Since 2017	32,521	6.1
Total			<u>264,173</u>	<u>49.6</u>

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For the year ended 31 December 2019

Rank	Suppliers	Commencement of business relationship	Gross advertising traffic costs <i>RMB'000</i>	Percentage of total gross advertising traffic costs %
1.	Supplier C (<i>Note 7</i>)	Since 2018	128,294	19.3
2.	Supplier O (<i>Note 20</i>)	Since 2019	79,266	11.9
3.	Supplier P (<i>Note 21</i>)	Since 2019	39,289	5.9
4.	Supplier N (<i>Note 19</i>)	Since 2017	34,755	5.2
5.	Supplier Q (<i>Note 22</i>)	Since 2017	33,121	5.0
Total			<u>314,725</u>	<u>47.3</u>

For the four months ended 30 April 2020

Rank	Suppliers	Commencement of business relationship	Gross advertising traffic costs <i>RMB'000</i>	Percentage of total gross advertising traffic costs %
1.	Supplier C (<i>Note 7</i>)	Since 2018	96,164	33.1
2.	Supplier O (<i>Note 20</i>)	Since 2019	45,254	15.5
3.	Supplier M (<i>Note 18</i>)	Since 2018	25,576	8.8
4.	Supplier A (<i>Note 1</i>)	Since 2017	19,182	6.6
5.	Supplier R (<i>Note 23</i>)	Since 2019	15,385	5.3
Total			<u>201,561</u>	<u>69.3</u>

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Notes:

1. A limited company established in the PRC, whose business include software development and advertising services, with a registered share capital of RMB1.0 million. In 2017, we engaged Supplier A to devise a computer system with centralised monitoring management platform. Such computer system is being fully utilised to manage our day-to-day operational tasks, including but not limited to the managing of our resources, systems, as well as workflow of each advertising project.
2. Three limited companies established in the PRC, whose businesses include the provision of advertising services, with their respective registered share capital being approximately RMB1.0 million, RMB10 million and RMB1.0 million.
3. A limited company established in the PRC, whose business include the provision of advertising design, production, agency and publication services, and with a registered share capital of approximately RMB20.69 million. Its shares are traded under the NEEQ, with a market capitalisation of approximately RMB37 million as at 31 July 2020.
4. A limited company established in the PRC, whose business include the provision of advertising design, production, agency and publication services, with a registered share capital of RMB1.0 million.
5. A limited company established in the PRC, whose business include the provision of advertising agency services, with a registered share capital of RMB1.0 million.
6. A limited company established in the PRC, whose business include provision of mobile advertising services, with a registered share capital of RMB1.0 million.
7. A limited company based in the PRC with a registered share capital of RMB1 million. Supplier C is a company controlled by Qutoutiao Inc., the shares of which are listed on Nasdaq (stock code: QTT) with a market capitalisation of approximately US\$0.8 billion as at 31 July 2020, and which operates a platform that aggregate articles and short videos from professional media and freelancers and presents customised feeds to users.
8. A limited company based in the PRC, whose business includes provision of software and information technology services, with a registered share capital of RMB10 million.
9. Two limited companies established in the PRC, engaging in the business of development of software and technologies in relation to computers, with a registered share capital of RMB10.0 million and RMB10.0 million, respectively.
10. A limited company established in the PRC, engaging in the business of mobile advertising and marketing, with a registered share capital of RMB5.0 million.
11. A limited company established in the PRC, engaging in the business of e-commerce, internet commerce services and development and sale of computer software and information system, with a registered share capital of RMB0.5 million.
12. A limited company established in the PRC, engaging in the business of mobile advertising, with a registered share capital of RMB10 million.
13. Three limited companies established in the PRC, engaging in the business of technology development, technology transfer, technology services and technology consulting in relation to network information, computer and software. The shares of its ultimate holding company were listed on Shanghai Stock Exchange with a market capitalisation of RMB4 billion as at 31 July 2020.
14. A limited company established in the PRC, engaging in the business of computer software and hardware technology development and sales, with a registered share capital of RMB10 million.
15. Two limited companies based in the PRC, engaging in the business of, among others, advertising design, production, agency and publication, with a registered share capital of RMB12.0 million and RMB5.0 million, respectively. To the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is listed on the Shenzhen Stock Exchange. As at 31 July 2020, the market capitalisation of the ultimate holding company was approximately RMB48.1 billion.

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16. Three limited companies based in the PRC, engaging in the business of, among other, advertising and technical services, with a registered share capital of RMB12.0 million, RMB80.0 million and RMB30.0 million, respectively. To the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is dual listed on the New York Stock Exchange and Main Board (listed in November 2019). As at 31 July 2020, the market capitalisation of the ultimate holding company was approximately US\$688 billion. It principally engages in the business of core commerce, cloud computing, digital media and entertainment and innovation initiatives.
17. A branch of a limited company based in the PRC, engaging in the business of, among others, provision of advertising design, production, agency and publication services, graphic design and translation services.
18. Four limited companies based in the PRC, engaging in the business of, among others, advertising design, production and publication services, with a registered share capital of RMB20.0 million, RMB10.0 million, RMB0.5 million and RMB10.0 million, respectively.
19. Three limited companies based in the PRC, engaging in the business of provision of advertising services, with a registered share capital of RMB10.0 million, RMB0.5 million and RMB10.0 million, respectively. To the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is listed on the Shanghai Stock Exchange. As at 31 July 2020, the market capitalisation of the ultimate holding company was approximately RMB7.6 billion.
20. Two companies based in the PRC, whose business include provision of advertising design, production, agency and publication, with a registered share capital of RMB10.0 million and RMB1.0 million, respectively.
21. A limited company based in the PRC, engaging in the business of, among others, information technology development, software development, communication engineering and advertising, with a registered share capital of RMB0.1 million.
22. A limited company based in the PRC, whose business includes the development, production and sale of software and communication related products and the related services and the provision of advertising design, production, agency and publication, with a registered share capital of RMB500.0 million.
23. Three limited companies based in the PRC, whose business includes advertising design, production, publication and acting as agent of various foreign and domestic advertisements, with a registered share capital of RMB2.0 million, RMB5.0 million and RMB1.0 million, respectively. To the best of our Directors' knowledge and belief, having made all reasonable enquiries, the ultimate holding company is listed on the Shenzhen Stock Exchange. As at 31 July 2020, the market capitalisation of RMB6.5 billion.

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

Salient terms of supplier agreements

Our suppliers for both intermediary services and precision advertising services usually require us to enter into a framework supply or agent agreement with them. The framework supply or agent agreement usually has a term of one year and is renewable annually. The following are the salient terms of the framework supply agreement:

- *Term.* The agreements typically have a term of one year.
- *Pricing arrangements.* Our pricing arrangement with suppliers is primarily on a usage basis, where we may be charged based on CPC, CPD, CPT or CPM in the form of virtual tokens consumed under our intermediary services; and CPA, CPS or to a lesser extent, CPD or CPC by suppliers for our precision advertising services. For some suppliers, the policy and scale of discounts based on the consumption of virtual tokens are also provided in the agreement. Upfront payment as a security deposit is required by some of the suppliers, which shall be refundable on the conclusion of the agreement. We are required to make payment to the supplier a few days prior to placing of advertisements;
- *Payment arrangement.* For our intermediary services, we usually have to make sufficient prepayments to our media publishers (in the form of purchasing virtual tokens) before arranging the bidding and procurement for advertisement inventories. For our precision advertising services, upon conclusion of the advertisement placements and confirmation with customers of the number of valid effective results, we will conclude with the supplier and arrange settlement with the supplier.
- *Rights and obligations of the parties.* We warrant the suppliers that the advertisement contents or materials provided by us comply with laws and regulations and do not infringe any third party's intellectual property rights. We are also required to undertake not to harm the suppliers' goodwill and reputation when preparing the advertising materials;
- *Confidentiality.* The parties agree not to disseminate user data, commercial information, technical know-how, software programming, passcodes, trademark and patents, or any other confidential information, to any third party;
- *Exclusivity.* Generally the supply agreement contains no exclusivity clause; and
- *Termination.* The agreement can be terminated by either party with a 30-day written notice, or in the event of material breach to the agreement which has not been rectified within a prescribed period.

For the media publishers whom have recognised us as their respective core advertising agents, the supply agreement usually contain the following additional salient terms:

- *Discount policies:* some core advertising agent agreements expressly set out the discount policies. Preferential discount will be given to us as the core advertising agent if certain requirements have been met, usually measurable against the total transaction amount for a specific period of time.
- *Rights and obligations:* we, as the core advertising agent, will have the right to bid the advertisement inventories, or directly place advertisements on, the media

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publishers. The obligations include but not limited to ensuring that the contents of the advertisements comply with the laws and regulations and third party's intellectual property rights are not infringed. Some media publishers impose an obligation on the core advertising agent that advertisements have to be submitted for their prior approval before publication.

- *Other commercial terms:* Media Publisher G set out in the supplier agreement the target transaction amounts of RMB4.5 million and RMB5 million for the years ended 31 December 2018 and 2019, respectively. A deposit of RMB0.5 million and RMB0.3 million were agreed to be made to Media Publisher G and Media Publisher K, respectively.

Overlapping of customers and suppliers

We provide mobile advertising services to some of our suppliers, whom are also mobile internet application developers with needs of publicity and marketing for their new products or services. Therefore, some of our customers which engage us to provide advertising services are also our suppliers which supply advertisement inventories, or vice-versa.

The following tables set out the breakdown of the margin and the percentage of costs and revenue of our major customers, also being our suppliers (based on gross basis for our precision advertising services and net basis for our intermediary services), or vice-versa, during the Track Record Period:

For the year ended 31 December 2017

Shenzhen Fei Ling Wu Xian Technology Limited* (深圳市非零無限科技有限公司)

	Gross revenue		Corresponding advertising traffic costs		Margin	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
In the capacity as our customer	6,387	2.9	4,829	2.7	1,558	24.4
	Advertising traffic costs		Corresponding gross revenue		Margin	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
In the capacity as our supplier	3	0.002	3	0.001	0	N/A

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For the year ended 31 December 2018

Shanghai Zhuota Information Technology Co., Ltd* (上海卓塔信息技术有限公司)

	Gross revenue		Corresponding advertising traffic costs		Margin	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
In the capacity as our customer	103	0.02	96	0.02	7	7.4

	Advertising traffic costs		Corresponding gross revenue		Margin	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
In the capacity as our supplier	7,812	1.5	9,670	1.6	1,858	19.2

For the year ended 31 December 2019

In the capacity as our customers

	Gross revenue		Corresponding advertising traffic costs		Margin	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Customer B	182,290	24.0	152,814	23.0	29,476	16.2
Customer D	25,507	3.4	22,415	3.4	3,092	12.1
Customer F	50,147	6.6	45,186	6.8	4,961	9.9
Shenzhen Chenmu Technology Co., Ltd.* (深圳市晨沐科技有限公司)	965	0.1	814	0.1	151	15.7
Supplier E	1,030	0.1	822	0.1	208	20.2

In the capacity as our suppliers

	Advertising traffic costs		Corresponding gross revenue		Margin	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Customer B	60	0.009	67	0.009	7	11.0
Customer D	93	0.01	139	0.02	46	33.3
Customer F	403	0.06	480	0.06	77	16.0
Shenzhen Chenmu Technology Co., Ltd.* (深圳市晨沐科技有限公司)	27,271	4.1	28,544	3.8	1,273	4.5
Supplier E	8,522	1.3	9,135	1.2	613	6.7

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For the four months ended 30 April 2020

In the capacity as our customers

	Gross revenue		Corresponding advertising traffic costs		Margin	
	RMB'000	%	RMB'000	%	RMB'000	%
Customer F	32,012	9.6	28,643	9.9	3,369	10.5
Supplier F	530	0.2	369	0.1	161	30.3
Supplier H	1	0.0001	1	0.0003	0	N/A

In the capacity as our suppliers

	Advertising traffic costs		Corresponding gross revenue		Margin	
	RMB'000	%	RMB'000	%	RMB'000	%
Customer F	1,132	0.3	925	0.3	207	18.3
Supplier F	4,971	1.5	4,788	1.6	183	3.7
Supplier H	4,823	1.4	4,413	1.5	410	8.5

Negotiations of the terms of our sales to and purchases from these companies were conducted on an individual basis and the sales and purchases were neither inter-connected or inter-conditional with each other. Our Directors confirmed that all of our sales to and purchases from these companies were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

Other suppliers

Our other suppliers also include network and information technology service providers that provide internet infrastructure services.

QUALITY CONTROL

As advised by the PRC Legal Advisers, as an advertising operator, we are subject to criminal, administrative and civil liabilities pursuant to the Advertising Law. In particular, we may face liabilities shall the advertisements we arranged to be published contravene with the provisions of the Advertising Law. Please refer to the section headed “Regulatory overview – Laws and regulations in the PRC – Regulations relating to internet advertising” of this prospectus for more details.

We take adequate precautions to ensure that the advertising content delivered by us is not false, fraudulent, misleading, or otherwise illegal, so not to prejudice our established business relationships with the suppliers and the media publishers. For example, we impose contractual obligations on our customers to ensure that their advertising content, including the advertising design and production, complies with relevant laws and regulations. We also conduct review of advertisers for their proper qualifications. In addition, for advertising content related to certain types of products and services, such as alcohol, we have established internal review policies to confirm that the advertisers have obtained requisite government approvals, including operating qualifications, proof of quality inspection for the advertised products, government pre-approval of the content of the advertisements and filings with the local authorities. As at the Latest Practicable Date, our Group has not been imposed any administrative penalties or involved in any litigation/arbitration for violating the Advertising Law in respect of any published advertising content that it designed, produced or provided relevant agency services for.

COMPETITION

Our Company is an innovative technology company in the mobile advertising market, helping match our customers with advertising and marketing needs to suitable advertisement inventories offered by other social media and mobile internet application developers. We have built our business model leveraging our sophisticated big data capabilities and information technologies. During the Track Record Period, we generated revenue from providing mobile advertising services to customers from various industries. With the rapid growth in the mobile advertising agency market in China, the market competition has been intensifying, with over ten thousands of players competing in the market, and with the top five players accounted for approximately 16.8% of the total mobile advertising agency market by revenue in aggregate in 2019. To remain competitiveness, a company should be able to attract more traffic and to optimise advertising traffic cost. Please refer to the section headed “Industry overview” of this prospectus for more detailed analysis on competitive landscape.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We protect our intellectual property rights through registering copyright for our self-developed software. We also enter into confidentiality agreements with our employees, as well as including confidentiality provisions in the contracts with our suppliers and customers. In general, all of our employees must enter into a standard confidentiality agreement acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, third parties may obtain and use intellectual property that we own or licence without our consent. During the Track Record Period, we did not find any of such infringement of our intellectual property rights which has material adverse effect on our operation. However, unauthorised use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorised use may adversely affect our business and results of operations. See “Risk factors – We may not be able to prevent others from making unauthorised use of intellectual property”.

As of the Latest Practicable Date, we owned eight registered domain names, and we consider that one of these domain names, namely www.btomorrow.cn is material to our business. We generally renew our domain name registrations once every year and applications for their renewal are usually approximately made no later than one month prior to their expiration. Under normal circumstances, the domain name registrations take effect immediately after the payment of renewal fees. As of the Latest Practicable Date, all of our registered domain names were in effect. If any of our domain name registrations cannot be renewed for any reason, the domain name registrar may deregister the relevant domain name.

As of the Latest Practicable Date, we held 66 software copyrights registered with the State Copyright Bureau of China and we consider 13 of such copyrights as material to our business. We are not aware of any legal or other impediment for us to successfully register the relevant patents. For details of our material intellectual property rights, see “Statutory and general information – B. Further information about our business – 2. Our intellectual property rights” in Appendix IV to this prospectus.

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

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EMPLOYEES

As of the Latest Practicable Date, we had 211 full-time employees, most of whom are based at our headquarters in Shenzhen, with the rest based in Beijing, Huzhou and Khorgas. The following table sets forth the number of our employees by function from 1 January 2017 (being the beginning of the Track Record Period) to the Latest Practicable Date.

Function	Number of employees					As at the Latest Practicable Date
	As at 1 January 2017	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 April 2020	
Executive Directors and senior management	4	5	5	5	5	5
Research and development	9	14	15	19	19	15
Sales and marketing	2	8	23	12	12	11
Customer services						
– Account executive	–	13	16	21	25	18
– Operation and supporting staff	–	4	8	12	12	12
– Designers, photographers and editors	1	4	9	23	27	47
– Project enhancers	1	12	20	51	46	83
– Data analysts	–	1	6	6	6	2
Finance, general administrative and human resources	3	4	11	17	17	18
Total	20	65	113	166	169	211

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. The number of our employees increased substantially during the Track Record Period from 20 as at 1 January 2017 to 211 as at the Latest Practicable Date. In particular, during the year ended 31 December 2019, our customer services team (such as designers, photographers and editors and project enhancers) expanded largely as we had to team up to cater the recent expansion of our intermediary services and precision advertising services.

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

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

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

INSURANCE

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

PROPERTIES

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

As of the Latest Practicable Date, our leased properties had a total gross floor area of approximately 1,619 square meters. The relevant lease agreements have lease expiration dates ranging from January 2021 to June 2022.

As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, this document is exempted from compliance with the requirements of Chapter 5 of the Listing Rules which requires a valuation report with respect to all our Group's interests in land or buildings.

Non-registration of leases

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

LICENCES, PERMITS AND APPROVALS

Our PRC Legal Advisers have advised that during the Track Record Period and up to the Latest Practicable Date, save for the business licences, we are not required to obtain other licences, permits, approvals and certificates to conduct our operations from the relevant government authorities in the PRC.

As advised by the PRC Legal Advisers, according to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) promulgated by the State Council on 6 February 2016, the value-added telecommunications services refer to telecommunications and information services provided through public network infrastructures and subject to licenses prior to commencement of operations, and the Catalogue of Telecommunications Business (《電信業務分類目錄》) further divides the value-added telecommunication service into several detailed categories. As further advised by the PRC Legal Advisers, among these categories, online data processing and transaction processing services (在線數據處理與交易處理業務) numbered B21 refer to the services of online data processing and transaction/affair processing provided for users through public communication networks or the Internet, by utilizing various kinds of data and affair/transaction processing application platforms that are connected to public communication networks or the Internet, and the information service business (信息服務業務) numbered B25 refers to the information services provided for users through the public communication network or the Internet by relying on information collection, development, processing and information platform construction.

We currently utilise our self-developed DMP (including our enterprise resource planning (ERP) systems) to facilitate the data application process (please refer to the paragraph "Our Technologies" in this section for further details). As confirmed by our Directors, our DMP does not have its own website, it is a system used within our Group to improve efficiency and can only be accessed by ourselves rather than open to the public through public communication networks or the Internet. In addition, as verbally confirmed by the Communications Administration of Shenzhen City (深圳市通信管理局), which is a competent authority to

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provide such confirmation, to our PRC Legal Advisers, we are not required to obtain the value-added telecommunication business operating license considering that our DMP (including our enterprise resource planning (ERP) systems) does not have its own website nor is it open to the public.

Based on the provisions of the Telecommunications Regulations of the PRC, the Catalogue of Telecommunications Business and the verbal confirmation by the Communications Administration of Shenzhen City, our PRC Legal Advisers advised that we are not required to obtain the value-added telecommunication business operating licenses for the operation of our business (i.e. as an agent for internet advertising) (互聯網廣告代理業務), and the business engaged by our Group is not listed under the Special Administrative Measures (Negative List) (外商投資准入特別管理措施(負面清單)) issued by MOFCOM and NDRC based on our business model during the Track Record Period and as at the Latest Practicable Date.

AWARDS AND CERTIFICATIONS

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

Year	Award/Recognition	Awarding entity
2017	New Comer Award for Cooperation Partner (新銳合作夥伴獎)	Customer A
2017	Certification of software enterprise (Note 1) (軟件企業證書)	Shenzhen Software Industry Association (深圳市軟件行業協會)
2018	Award for Excellent Agent (優秀代理商獎)	A company operating Media Publisher D
2018 and 2019	National High-tech Enterprise Certificate (Note 2) (高新技術企業證書)	Shenzhen Science and Technology Innovation Committee (深圳市科技創新委員會), Finance Commission of Shenzhen (深圳市財政委員會) / Shenzhen Finance Bureau (深圳市財政局) and Shenzhen Tax Service of State Taxation Administration (國家稅務總局深圳市稅務局)
2020	Certification of software enterprise (Note 1) (軟件企業證書)	Zhejiang Software Industry Association (浙江省軟件行業協會)

Notes:

- Companies holding this certificate are eligible for tax reduction pursuant to the Ministry of Finance Circular 27. Shenzhen Bright Future and Shenzhen Lindu were awarded the certification of software enterprise in 2017, 2018 and 2020. Huzhou Bright Future was also awarded the certification of software enterprise in 2020. Please refer to the section headed “Financial information – Principal components of consolidated statements of comprehensive income – PRC enterprise income tax” of this prospectus for more details.
- Shenzhen Bright Future and Shenzhen Lindu are the recipients of the recognition in 2018 and 2019, respectively.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

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

Legal proceedings against one of our customers

On 2 January 2020, Shenzhen Bright Future filed a claim against one of our customers for the outstanding fees for our services in the sum of RMB657,468 together with a penalty of 0.03% over the outstanding sum per day and legal costs, which such amount of outstanding fees was previously agreed and confirmed by the customer. In June 2020, a judgement was granted in favour of Shenzhen Bright Future. The Directors consider that the amount involved is not material, and we do not anticipate any significant material adverse impact on our financial position as a result of this outstanding proceedings.

Non-compliance incidents

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

HEALTH, SAFETY AND ENVIRONMENTAL MEASURES

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

RISK MANAGEMENT

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

Our Board oversees and manages the overall risks associated with our operations. We have established the Audit Committee to review and supervise the financial reporting process and internal control system of our Group. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. We will seek assistance of other professional on risk management if necessary.

We are dedicated to the establishment and maintenance of a robust internal control system. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as financial reporting, information risk management, legal compliance and intellectual property rights management and human resources management.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing training to our finance staff to ensure that these policies are well-observed and effectively implemented. As of the Latest Practicable Date, our finance, general administrative and human resources team consisted of 18 employees, and was headed by our chief financial officer, who has relevant experience in public company financial reporting. Other senior members of our finance, general administrative and human resources team are all graduated from accounting, finance or other relevant discipline.

Information Risk Management

We have adopted measures to protect data accumulated on our DMP and prevent technical issues in our network infrastructure and information technology system. Our research and development team is responsible for protecting data and ensuring the stability of our network infrastructure and information technology system.

As of the Latest Practicable Date, our research and development team consisted of 15 employees. Our research and development team is currently led by Mr. Yang, who have extensive experience in information technology industry. We use various information management systems in our operations. To ensure information security, employee access to internal information is restricted and employees are not allowed to access certain internal information without authorisation. We have adopted internal policies to ensure that authorisation is tailored to employee seniority and team function so that certain information can only be obtained on an as-needed basis. We have adopted various policies on database operation to prevent information leakage and loss of data. We also keep records of all database operations and non-routine database operations are not permitted unless such operations are necessary. We also use monitoring systems to monitor the data operating status of the server and alert relevant team to abnormal situation. In addition, our daily maintenance, fire protection measures, access control system and other measures help maintain the physical condition of our network infrastructure. We also have a data back-up system through which our data are stored on servers of different locations to reduce the risk of data loss. Our research and development team conducts backup recovery tests regularly to examine the status of this

back-up system. Further, our key full-time employees are required to sign confidentiality and non-compete agreements, pursuant to which they undertake to keep confidential data and operational, financial and product information of our Group that they obtain by virtue of their employment with us.

Operational Risk Management

Compliance with applicable laws and regulations, especially laws and regulations governing the mobile advertising industry, and protection of our intellectual property rights are major focus areas of our operational risk management.

We have dedicated staff and engaged external legal advisers in the PRC to assist us, among others, for monitoring any changes in applicable laws and regulations and ensuring the ongoing compliance of our operations with applicable laws and regulations.

We also work with our external compliance adviser to ensure that we have obtained and maintain all the necessary permits and licences required for our operations. In situations where the relevant laws and regulations are not clear as to what action should or should not be taken, we take the conservative approach to avoid any potential compliance issues.

During the operation of our business, we have to abide by the applicable laws in the PRC. If the publication of the advertisements violate the Advertising Law, we will be held administratively or even criminally liable. We are also subject to civil liabilities arising out of the breach of contract entered into with our customers or suppliers. For details, please refer to the section headed “Regulatory overview – Laws and regulations in the PRC – Regulations relating to internet advertising” of this prospectus.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. We provide specialised trainings tailored to the needs of our employees in different teams. Our employee handbook contains guidelines regarding work ethics and prevention of fraud, negligence and corruption. We have also made available an anonymous reporting channel through which potential violations of our internal policies or illegal acts at all levels of our Group can be timely reported to management and appropriate measures can be taken to minimise damage.

Anti-corruption-related measures

For anti-corruption, we have implemented internal anti-fraud and reporting mechanisms to better monitor suspicious transactions and standardise reporting procedures, which primarily set out: (i) organising periodic internal employee training sessions to educate and improve awareness of our employees in identifying and reporting sensitive incidents; (ii) setting up a two-layer review process by both our finance team and our Board for major transactions and

related party transactions; (iii) maintaining email and phone hotlines to receive and process reports from employees and external third parties; and (iv) designating the Board in supervising our overall anti-corruption procedures.

Ongoing measures to monitor the implementation of risk management policies

Our Audit Committee and senior management monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

INTERNAL CONTROL

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

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

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

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

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, Mr. Dong, Mr. Yang, Brilliant League and Highland Triumph will be a group of Controlling Shareholders collectively and beneficially interested in aggregate approximately 72.8% of our issued share capital. Please refer to the section headed “History, Reorganisation and corporate structure” of this prospectus for details of the shareholding structure among our Controlling Shareholders.

ACTING IN CONCERT CONFIRMATION

Mr. Dong and Mr. Yang entered into an acting in concert confirmation dated 8 April 2019 whereby each of them confirmed that since the establishment of Shenzhen Bright Future, they have been acting in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of Shenzhen Bright Future (being the major operating subsidiary of our Group) and holding company of our PRC operating subsidiaries, in order to consolidate their control in Shenzhen Bright Future and other PRC operating subsidiaries of our Group.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. While our executive Directors, namely Mr. Dong and Mr. Yang, are also our Controlling Shareholders due to their interests as disclosed above, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity, appropriate professional qualification, expertise and calibre for their views to carry weight, thus can effectively exercise independent judgment. In addition, each of our Directors is aware of his/her fiduciary duties as a director which require that he/she must act for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his/her personal interests.

If any of our Directors who to his/her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Group, the interested Director(s) shall declare such interest at the meeting of the Board at which the relevant transactions are to be first considered in accordance with the Articles. Unless otherwise permitted by the Articles, the interested Director(s) shall also abstain from voting at the relevant Board’s meetings of our Company in respect of such transactions and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

shall not be counted in the quorum in accordance with the Articles. As such, Mr. Dong and Mr. Yang will not vote on those matters or transactions relating to any of our Controlling Shareholders or otherwise give rise to potential conflicts of interest at Board's meetings and they would not be counted towards quorum in the relevant meetings.

Three of our Board's members are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective close associates after Listing. As it was confirmed by our Directors and our Controlling Shareholders, none of them nor their close associates have any interest in any other business which competes or likely to compete with the business of our Group.

Operational independence

Our Group holds the software copyrights and domain names with respect to our business. Our Group also has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

We have implemented a set of internal control procedures to facilitate the effective and independent operation of our business.

Further, there had been no business dealings between our Group and the Controlling Shareholders and their close associates as at the Latest Practicable Date. Our Directors consider that our Group can operate independently from our Controlling Shareholders and their close associates.

Financial viability and independence

During the Track Record Period and up to the Latest Practicable Date, we had our own internal control and accounting system, finance team and treasury function for cash receipts and payments.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, our Group had certain non-trade related amounts due to our Directors or their respective associates and a shareholder. These amounts were mostly the key management personnel compensation, as well as loans from shareholders and key management personnel. Please refer to the section headed “Financial information – Related party transactions” of this prospectus and note 29 of the Accountant’s Report set out in Appendix I to this prospectus. Before the Listing, all non-trade related amounts due to our Directors will be fully settled.

Further, during the Track Record Period, Mr. Dong and Mr. Yang, being our Controlling Shareholders, together with an independent third party which is a firm providing guarantee-related services, provided guarantees to a bank borrowing of RMB8.0 million advanced to Shenzhen Bright Future. Please refer to note 20 of the Accountant’s Report set out in Appendix I to this prospectus. The guarantees provided by Mr. Dong and Mr. Yang were released and replaced by corporate guarantee of our Group in August 2020.

We have sufficient capital to operate our business independently, and have adequate internal resources to support our daily operations and business. There will be no financial assistance, security and/or guarantee provided by our Directors, our Controlling Shareholders or their respective associates in our favour or vice versa (as the case may be) upon the Listing.

Having considered that our future operations are not expected to be financed by our Directors, our Controlling Shareholders or their respective associates, we believe we are financially independent of our Directors, our Controlling Shareholders and their respective associates.

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors confirm that as at the Latest Practicable Date, none of them nor their respective close associate(s) have any interest in any business, apart from the business operated by our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group that would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders:

- (a) where a Shareholders’ meeting is held for a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) we are committed to ensuring that our Board has a balanced composition of executive and non-executive Directors, including independent non-executive Directors, to ensure that there is a strong independent element on our Board, which can efficaciously exercise independent judgment and will be able to deliver neutral and professional advice to safeguard the interest of the minority Shareholders;
- (c) our Directors will operate in accordance with our Articles which require the interested Director to make full disclosure regarding such issues, and not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested except in certain circumstances expressly provided in the Articles; and
- (d) pursuant to the Corporate Governance Code set out in Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Save as disclosed in the section headed “Directors and senior management – Compliance with Appendix 14 to the Listing Rules” of this prospectus, we will follow the measures in the Corporate Governance Code in Appendix 14 to the Listing Rules, which sets out the principles of good corporate governance in relation to Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Corporate Governance Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports. Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict among our Group and our Controlling Shareholders and their respective associates.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to 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 issued voting shares of any member of our Group:

LONG POSITIONS IN OUR COMPANY

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Brilliant League	Beneficial interest and interest held jointly with other person (<i>Note 1</i>)	363,970,000	72.8%
Mr. Dong	Interested in a controlled corporation (<i>Note 1</i>)	363,970,000	72.8%
Ms. Gao	Interest of spouse (<i>Note 2</i>)	363,970,000	72.8%
Highland Triumph	Beneficial interest and interest held jointly with other person (<i>Note 1</i>)	363,970,000	72.8%
Mr. Yang	Interested in a controlled corporation (<i>Note 1</i>)	363,970,000	72.8%
Ms. Wu Cheng	Interest of spouse (<i>Note 3</i>)	363,970,000	72.8%

Notes:

- (1) Brilliant League is wholly-owned by Mr. Dong. Mr. Dong and Mr. Yang are parties acting in concert. Mr. Yang in turn wholly-owns Highland Triumph. Thus, each of Mr. Dong, Mr. Yang, Brilliant League and Highland Triumph are all deemed to be interested in all the Shares held by Brilliant League and Highland Triumph.
- (2) Ms. Gao is the spouse of Mr. Dong, and is thus deemed to be interested in Mr. Dong's entire interest in Shares.
- (3) Ms. Wu Cheng is the spouse of Mr. Yang, and is thus deemed to be interested in Mr. Yang's entire interest in Shares.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above in this section, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors consists of four executive Directors and three independent non-executive Directors. The functions and duties of our Board of Directors include exercising the powers and functions as stipulated in the Articles, determining business and investment strategies, formulating annual budget and accounts, implementing resolutions passed, deciding dividend distribution and profit distributions, reporting our Group's operation, as well as convening shareholders' meetings. The table below sets forth certain information in respect of the members of the Board of Directors of our Company.

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Executive Directors						
Dong Hui (董暉)	33	28 December 2015	8 November 2018	Executive Director, Chairman and chief executive officer	overall strategic development and planning and major decision making	Person acting in concert with Mr. Yang, spouse of Ms. Gao
Yang Dengfeng (楊登峰)	38	28 December 2015	8 November 2018	Executive Director and chief technology officer	overall strategic planning and supervising technological development of our Group	Person acting in concert with Mr. Dong
Gao Yuqing (高雨晴)	31	28 December 2015	25 March 2019	Executive Director and head of performance-based advertising team	advise on overall strategic planning of our Group and lead the precision advertising services department	Spouse of Mr. Dong
Cen Senhui (岑森輝)	32	28 December 2015	25 March 2019	Executive Director and chief operating officer	overall operational management and overseeing daily operation of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Independent non-executive Directors						
Chen Shuo (陳碩)	35	22 August 2019	22 August 2019	Independent non-executive Director	Providing independent judgment to the Board and supervising the functioning of the Board and various Board committees	Nil
Liu Kin Wai (劉健威)	38	22 August 2019	22 August 2019	Independent non-executive Director	Providing independent judgment to the Board and supervising the functioning of the Board and various Board committees	Nil
Wei Hai Yan (魏海燕)	55	22 August 2019	22 August 2019	Independent non-executive Director	Providing independent judgment to the Board and supervising the functioning of the Board and various Board committees	Nil

Executive Directors

Mr. Dong Hui (董暉), aged 33, was appointed as our Director on 8 November 2018, and was re-designated as our executive Director, Chairman of the Board and chief executive officer on 25 March 2019, and is primarily responsible for supervising overall strategic development and planning and making major decision for our Group. Mr. Dong is also a director of various subsidiaries of our Group.

Mr. Dong is one of the founders of our Group.

Mr. Dong has over nine years of experience in mobile internet industry. Mr. Dong worked as a supervisor of the developing team at Digu Information Technology (Shenzhen) Co., Ltd* (嘀咕信息技術(深圳)有限公司) from May 2010 to April 2011. Mr. Dong then served as the software engineer and the senior product manager of Tencent Technology (Shenzhen) Company Limited, a subsidiary of Tencent from April 2011 to August 2015, and was responsible for developing mobile payment and mobile app related commercial works.

DIRECTORS AND SENIOR MANAGEMENT

From August 2015 to December 2015, Mr. Dong was the chief operating officer of Shenzhen Zhuazhua Technology Co.,Ltd. (深圳爪爪科技有限公司), which primarily engaged in the service for pets and pets-related services and products.

Mr. Dong received a bachelor degree in Electronic Commerce from Wuhan Technology Institute (武漢科技學院)¹ in June 2009.

Mr. Yang Dengfeng (楊登峰), aged 38, was appointed as our Director on 8 November 2018. Mr. Yang was re-designated as our executive Director and chief technology officer on 25 March 2019, and is primarily responsible for overall strategic planning and supervising the technological development of our Group. Mr. Yang is also a director of various subsidiaries of our Group.

Mr. Yang was one of the founders of our Group.

Mr. Yang has over ten years of experience in mobile internet industry. Mr. Yang worked as the programmer for the mobile internet in Tencent Technology (Shenzhen) Company Limited, a subsidiary of Tencent, from July 2006 to June 2007, during which he was responsible in research and development of internet safety system and data mining software. Mr. Yang joined Shenzhen Tencent Computer System Co., Ltd.* (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent, in December 2008 and worked as vice supervisor for mobile payment system development project, which he was primarily responsible for strategic development and management of mobile internet payment platform, including researching for new products and services and functions to be provided via these mobile internet payment platform, until he left the position in May 2015. Mr. Yang was the chief executive officer of Shenzhen Zhuazhua Technology Co.,Ltd. (深圳爪爪科技有限公司) from April 2015 to December 2015.

Mr. Yang received a bachelor degree in Information Technology System Management from Heilongjiang University (黑龍江大學) in July 2006.

Ms. Gao Yuqing (高雨晴), aged 31, joined our Group in December 2015 as director and one of the founders, later promoted to the position of head of the precision advertising services department. Ms. Gao was later appointed as an executive Director on 25 March 2019. Ms. Gao is primarily responsible for overseeing management of our Group. Ms. Gao was a commerce manager at Beijing Qihu Keji Co. Ltd. (北京奇虎科技有限公司), a subsidiary of 360 Security Technology Inc. (三六零安全科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601360.SH), and a company principally engages in the business of development of internet safety and protection software and the provision of anti-virus services, from July 2011 to November 2015. Ms. Gao received a bachelor degree in Software Engineering from Tianjin University of Agriculture (天津農學院) in June 2011.

¹ Now known as Wuhan Textile University (武漢紡織大學).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cen Senhui (岑森輝), aged 32, joined our Group in December 2015 and has been our chief operating officer. Mr. Cen was re-designated as our executive Director and chief operating officer on 25 March 2019. Mr. Cen is a director of Shenzhen Lindu. Mr. Cen is primarily responsible for overall operational management and overseeing daily operation of our Group. Mr. Cen has accumulated around eight years of experience in information technology industry. Mr. Cen worked as a project manager of Nokia Beijing branch (諾基亞通信系統技術(北京)有限公司) from June 2011 to October 2014, which he was responsible to the research and development of 4G mobile network, as well as the tender for technological projects. Mr. Cen then worked as Channel Manager (渠道經理) at Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司), a company principally engages in video-centric IoT (internet of things) services, integrated security service and big data services, from October 2014 to April 2015. Later, Mr. Cen worked as the marketing director of Shenzhen Zhuazhua Technology Co., Ltd. (深圳爪爪科技有限公司) from May to December 2015.

Mr. Cen received a bachelor degree in Electrical Engineering and Automation from Hangzhou Dianzi University (杭州電子科技大學) in June 2011.

Independent non-executive Directors

Mr. Chen Shuo (陳碩), aged 35, is an independent non-executive Director of our Company. Mr. Chen has been appointed as an independent non-executive Director of our Company on 22 August 2019 with effect from the Listing. Mr. Chen is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Chen has years of experience in the field of investment in information technology industry. From March 2010 to April 2011, Mr. Chen worked at the planning department of the headquarter of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司). Since May 2012, Mr. Chen has been working at Shenzhen Qianhai Jiupai Asset Management Limited Partnership (深圳市前海九派資本管理合夥企業(有限合夥)) and its associated entities, which he is one of the partners of the said limited partnership and is responsible for handling acquisitions and investments concerning enterprises of internet industry. These acquisitions and investments include advising PRC-listed companies to acquire internet industry business, as well as setting up venture capital fund for internet industry businesses.

Mr. Chen received his bachelor of Finance from Hubei University of Technology (湖北工業大學) in June 2008. He obtained both a master of Science degree in Corporate Governance and Directorship from Hong Kong Baptist University (香港浸會大學) in November 2009.

Mr. Liu Kin Wai (劉健威), age 38, is an independent non-executive Director of our Company. Mr. Liu has been appointed as an independent non-executive Director of our Company on 22 August 2019 with effect from the Listing. Mr. Liu is primarily responsible for providing independent opinion and judgment to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu had more than 15 years of experience in assurance services and financial and capital management work. Some of his work experiences are as set out in the table below:

Name of employer	Positions held	Employment period
Ernst & Young	From accountant to senior manager	November 2004 to May 2015
北控水務集團有限公司 (Beijing Enterprises Water Group Limited) (a company which shares are listed on the Stock Exchange, Stock Code: 371)	Senior manager	May 2015 to September 2016
北控清潔能源集團有限公司 (Beijing Enterprises Clean Energy Group Limited) (a company which shares are listed on the Stock Exchange, Stock Code: 1250)	Chief financial officer and company secretary	September 2016 to September 2019
東勝旅遊集團有限公司 (Orient Victory Travel Group Company Limited) (a company which shares are listed on the Stock Exchange, Stock Code: 265)	Chief financial officer	Since December 2019

Mr. Liu received his bachelor in Accounting from the City University of Hong Kong (香港城市大學) in November 2003, and completed China Environmental Industry Senior Manager Training Programme (中國環境產業高級經理人研修班) from Tsinghua University (清華大學) in December 2016. Mr. Liu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2008.

Mr. Wei Hai Yan (魏海燕), aged 55, is an independent non-executive Director of our Company. Mr. Wei has been appointed as an independent non-executive Director of our Company on 22 August 2019 with effect from the Listing. Mr. Wei is primarily responsible for providing independent opinion and judgment to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wei was a deputy general manager at Jiangsu Boxin Investing & Holdings Co. Ltd. (江蘇博信投資控股股份有限公司), (formerly known as Chengdu Hongguang Industry Co., Ltd*. (成都紅光實業股份有限公司)), a company principally engaged in commodity trading business, from June 1998 to December 2000. Mr. Wei is currently the vice general manager of Shenzhen Headwater Water Treatment Technology Co., Ltd.* (深圳恆通源環保科技有限公司), which he joined the company in December 2000.

Mr. Wei received a bachelor degree in Computer Engineering from Chengdu Electronics Engineering College (成都電訊工程學院) in July 1987 and a master degree of Industrial Management Engineering from University of Electronic Science and Technology of China (中國電子科技大學) in March 1990.

Directors' interests

Save as disclosed above in this section, each of our Directors has not been a director of any other publicly listed company the securities of which are listed on any securities market during the three years immediately preceding the date of this prospectus.

Save as disclosed herein and as disclosed in the section headed “Substantial Shareholders” and the section headed “Statutory and General Information – C. Further information about the Directors, management, staff, Substantial Shareholders and experts” of this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, (i) there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and the Stock Exchange; (ii) he/she has no interests in the Shares within the meaning of Part XV of the SFO; (iii) save to Mr. Dong is the spouse of Ms. Gao and Mr. Dong and Mr. Yang are parties acting in concert, he/she is not related to any other Directors, members of senior management, Controlling Shareholders or Substantial Shareholders; (iv) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with our Group; and (v) there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date, and there is no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company:

Name	Age	Month of joining our Group	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Dong Hui (董暉)	33	December 2015	Executive Director and chief executive officer	overall strategic development and planning and major decision making	Person acting in concert with Mr. Yang, spouse of Ms. Gao
Yang Dengfeng (楊登峰)	38	December 2015	Executive Director and chief technology officer	overall strategic planning and supervising technological development of our Group	Person acting in concert with Mr. Dong
Gao Yuqing (高雨晴)	31	December 2015	Executive Director and head of performance-based advertising team	advise on overall strategic planning of our Group and lead the precision advertising services department	Spouse of Mr. Dong
Cen Senhui (岑森輝)	32	December 2015	Executive Director and chief operating officer	Overall operational management and overseeing daily operation of our Group	Nil
Wu Yang (武洋)	30	May 2017	Chief financial officer	Supervising internal audit, finance and accounting matters	Nil

Please refer to the paragraphs headed “Executive Directors” in this section for the biographical details of Mr. Dong, Mr. Yang, Ms. Gao and Mr. Cen.

Ms. Wu Yang (武洋), aged 30, has been the chief financial officer of our Company since May 2017. Ms. Wu is primarily responsible for overseeing our internal accounting and audit matters, as well as supervising internal fund management and annual budget.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wu has more than five years of experience in accountancy work. Prior to joining our Group, Ms. Wu was the project manager at Dalian Chunyu Accounting Management Consulting Co., Ltd.* (大連市春雨會計管理諮詢有限公司) from June 2013 to April 2017, which she was responsible for providing auditing and accounting services, as well as consultation services on internal control matters.

Ms. Wu received a bachelor degree of accounting from Jiamusi University (佳木斯大學) in June 2013.

COMPANY SECRETARY

Mr. Tso Ping Cheong Brian (曹炳昌), aged 40, was appointed as the company secretary of our Company on 16 October 2020. Mr. Tso obtained his bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2003. He obtained his master degree in corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. Tso is currently a practicing and fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Chartered Secretaries. Mr. Tso has over 16 years of experience in accounting and financial management. From September 2003 to December 2008, Mr. Tso worked for Ernst & Young and last held the position of manager and was responsible for the assurance and advisory business services. From December 2008 to May 2010, Mr. Tso worked for Greenheart Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 94), as financial controller. From May 2010 to August 2012, Mr. Tso worked for Maxdo Project Management Company Limited as senior vice president of the investment team. Mr. Tso founded Teton CPA Company, an accounting firm, in January 2013 and he has been the sole proprietor since then.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 16 October 2020 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide independent review, advice and comments concerning the financial reporting and audit-related matters to the Board.

Our audit committee consists of three members, being Mr. Liu Kin Wai, Mr. Chen Shuo and Mr. Wei Hai Yan. Mr. Liu Kin Wai currently serves as the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 16 October 2020 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the relevant code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to

DIRECTORS AND SENIOR MANAGEMENT

evaluate the performance and make recommendations on the remuneration policy, structure and specific remuneration of our senior management and to recommend members of the Board. The remuneration committee is also responsible for determining the vesting of the options granted under the Share Option Scheme.

Our remuneration committee consists of three members, being Mr. Liu Kin Wai, Mr. Chen Shuo and Mr. Yang. Mr. Chen Shuo currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 16 October 2020 with its written terms of reference by reference to the relevant code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding identifying potential directors and candidates to fill vacancies on our Board and/or in senior management under the prescribed selection processes, as well as reviewing the structure, size, composition and diversity of the Board pursuant to the selection criteria adopted. Further, it is also the duty of our nomination committee to review the diversity policy of our Board, which sets out the measurable objective and approach to achieve and maintain diversity of our Board. Pursuant to our diversity policy, certain factors will be taken into account for achieving the diversity of our Board, including professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of services. The progress of implementation of our diversity policy will be disclosed in our corporate governance report upon the Listing on an annual basis.

Our nomination committee consists of three members, being Mr. Dong, Mr. Chen Shuo and Mr. Wei Hai Yan. Mr. Dong currently serves as the chairman of our nomination committee.

BOARD DIVERSITY POLICY

With a view to enhancing the effectiveness of our Board and maintaining high standard of corporate governance, our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognises and embraces the benefits of having a Board with diversity and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge. Appointments of members of our Board will be based on merits and contribution which the selected candidates will bring to our Board.

The nomination committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Upon Listing, the nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report a summary of our board diversity policy and its implementation on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed Messis Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult the compliance adviser in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPLIANCE WITH APPENDIX 14 TO THE LISTING RULES

Mr. Dong will act as both the Chairman of the Board and chief executive officer of our Company, which is a deviation from Code A.2.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, which provides that the roles of chairman and chief executive office should be separated and should not be performed by the same individual. After evaluation of the current situation of our Company and taking into account of the experience and past performance and contribution of Mr. Dong, we are of the opinion that it is appropriate and in the best interests of our Company at the present stage for Mr. Dong to hold both positions as the Chairman and the chief executive officer of our Company, as it helps to maintain the continuity of the policies and the stability of the operations of our Company.

Save as disclosed in the paragraphs headed “Compliance with Appendix 14 to the Listing Rules” in this section, as at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, our Directors were not aware of any deviation from the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, as well as the Guidance for Boards and Directors.

DIRECTORS AND SENIOR MANAGEMENT

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules regarding management presence in Hong Kong. For further details, please refer to the section headed “Waiver from strict compliance with the Listing Rules” of this prospectus.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of remuneration (including salaries and other allowances, share-based payments and social benefits) paid by our Group to the Directors for the three years ended 31 December 2019 and the four months ended 30 April 2020 were approximately RMB0.8 million, RMB1.7 million, RMB1.7 million and RMB0.5 million, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses (where applicable)) paid to our five highest paid individuals of our Group, including Directors, during the three years ended 31 December 2019 and the four months ended 30 April 2020 were approximately RMB1.9 million, RMB2.7 million, RMB2.4 million and RMB0.8 million, respectively.

No remuneration was paid by our Group to, or receivable by, our Directors or senior management or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in connection with the management of the affairs of any subsidiary of our Group during the Track Record Period. Further, none of our Directors or senior management had waived any remuneration during the Track Record Period. Save as disclosed in this paragraph headed “Remuneration and compensation of Directors and senior management” in this section, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, senior management and the five highest paid individuals during the Track Record Period.

Under our arrangements currently in force, the aggregate remuneration (including salaries and other allowances, share-based payments and social benefits) of our Directors and senior management, excluding any discretionary bonuses, for the financial year ending 31 December 2020 are estimated to be approximately RMB4.5 million. For further information of our Directors’ remuneration as well as the highest paid individuals of our Group during the Track Record Period, please refer to notes 9 and 31 to the Accountant’s Report set out in Appendix I and the section headed “Statutory and general information – C. Further information about the Directors, management, staff, Substantial Shareholders and experts” as set out in Appendix IV of this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The following table sets forth information with respect to the share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme or Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to in the paragraphs headed “General mandate to issue Shares” and the paragraphs headed “General mandate to repurchase Shares” in this section, as the case may be).

(HK\$)

Authorised share capital

2,000,000,000	Shares	200,000,000
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Issued share capital

795,600	Shares in issue as at the date of this prospectus	79,560
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Shares to be issued

374,204,400	Shares to be issued pursuant to the Capitalisation Issue	37,420,440
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125,000,000	Shares to be issued pursuant to the Share Offer	12,500,000
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Total issued shares on completion of the Share Offer

500,000,000	Shares	50,000,000
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If the Over-allotment Option is exercised in full, then 18,750,000 additional Shares will be issued, resulting in a total enlarged issued share capital of HK\$51,875,000 divided into 518,750,000 Shares of HK\$0.1 each.

Assumptions

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate granted to our Directors to allot and issue or repurchase Shares as referred to in the paragraphs headed “General mandate to issue Shares” or the paragraphs headed “General mandate to repurchase Shares” in this section, as the case may be.

SHARE CAPITAL

Ranking

The Offer Shares will carry the same rights in all respects with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix IV of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been conditionally granted a general unconditional mandate authorising them to exercise all the powers of our Company to allot, issue and deal with the Shares with a total nominal value not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), and the number of Shares repurchased by us, if any, pursuant to the repurchase mandate described below.

The general mandate will expire:

- (a) at the conclusion of our Company’s next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Further information of this general mandate is summarised in the section headed “Statutory and general information – A. Further information about our Company – 3. Written resolutions of the Shareholders of our Company passed on 16 October 2020” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to repurchase the Shares with an aggregate nominal value of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme).

This repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws, rules and regulations. A summary of the relevant requirements of the Listing Rules on this repurchase mandate is summarised in the section headed “Statutory and general information – A. Further information about our Company – 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

This repurchase mandate will expire:

- (a) at the conclusion of our Company’s next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever the earliest.

Further information of this general mandate is summarised in the section headed “Statutory and general information – A. Further information about our Company – 3. Written resolutions of the Shareholders of our Company passed on 16 October 2020” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH MEETING OF OUR COMPANY IS REQUIRED

The circumstances under which a meeting is required are provided in the Articles, a summary of which is set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

*The following discussion and analysis should be read in conjunction with the audited consolidated financial information of our Group for the three years ended 31 December 2019 and the four months ended 30 April 2020 with the accompanying notes (“**Financial Information**”), included in the Accountant’s Report as set out in Appendix I to this prospectus. The consolidated Financial Information of our Group have been prepared in accordance with HKFRSs, which may differ in certain respects from generally accepted accounting principles in certain other countries. Potential investors should read the whole of the Accountant’s Report as set out in Appendix I to this prospectus and should not rely merely on the information contained in this section.*

The discussion and analysis set out in this section contain forward-looking statements that reflect the current views with respect to future events and financial performance based on certain assumptions and analysis, which involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed “Risk factors” of this prospectus.

OVERVIEW

We are a mobile advertising company offering one-stop and tailor-made advertising services to customers in China. The two types of our mobile advertising services we offered include (i) the intermediary services, which involve arranging the publication of our customers’ advertisements at suitable media publishers; and (ii) the precision advertising services, which involve managing our customer’s advertisement placements by engaging various advertising agents for reaching desired results set by our customers.

We have rapidly grown our customer base during the Track Record Period. For the year ended 31 December 2019, we provided mobile advertising services to 592 customers, compared to that of 279 and 469 for the two years ended 31 December 2018, respectively. For the four months ended 30 April 2020, we provided mobile advertising services to 275 customers.

For the three years ended 31 December 2019 and the four months ended 30 April 2020, our revenue amounted to approximately RMB102.6 million, RMB254.9 million, RMB281.9 million and RMB115.2 million, respectively. While our profit for the year amounted to approximately RMB30.9 million, RMB42.4 million, RMB38.4 million and RMB24.3 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our Directors believe that the following major factors may affect our results of operations, the period-to-period comparability of our financial results and financial conditions:

Our limited period of operations with rapid growth in mobile advertising industry

We were established in late 2015 and have subsequently experienced rapid growth in our revenue (based on gross basis of revenue recognition) during the Track Record Period, which amounted to approximately RMB220.0 million, RMB619.7 million, RMB760.0 million and

FINANCIAL INFORMATION

RMB334.2 million for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. However, due to our limited operating history and intense competition in the mobile advertising industry, our historical growth rate may not be indicative of our future performance. Our future performance may be more susceptible to certain uncertainties and risks than a company with a longer operating history in a different or less evolving industry. This may generally affect our business operation as well as our financial results and position if our mobile advertising services develops or grows more slowly than expected.

Our ability to manage our advertising traffic costs

We rely on the supply of advertisement inventories from suppliers in order to provide our services. For the three years ended 31 December 2019 and the four months ended 30 April 2020, our advertising traffic costs (for both our intermediary services and our precision advertising services) amounted to approximately RMB178.9 million, RMB532.4 million, RMB665.4 million and RMB290.8 million, respectively. If we were not able to transfer our increased costs to our customers, substantial increase in our advertising traffic costs may adversely affect our business, results of operations and financial conditions.

The following sensitivity analysis illustrates the impact of hypothetical changes in advertising traffic costs on our gross profit during the Track Record Period. Fluctuations in our advertising traffic costs are assumed to be 5% and 10% with reference to the historical fluctuation of the index of traffic acquisition cost for top media from 2014 to 2019 with a growth of CAGR of 8.8% from 2014 to 2019 as stated in the section headed “Industry overview – Overview of mobile advertising agency market in China – Threats” of this prospectus for illustrative purpose:

	Increase/(decrease) in gross profit			for the
				four months
				ended
	for the year ended 31 December			30 April
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypothetical change				
+10%	(17,892)	(53,244)	(66,542)	(29,084)
+5%	(8,946)	(26,622)	(33,271)	(14,542)
-5%	8,946	26,622	33,271	14,542
-10%	17,892	53,244	66,542	29,084

Our ability to cope with increasing employee benefit expenses, retain our staff and attract new staff

Our mobile advertising services requires skilled employees to perform. Our employee benefit expenses are accounted for a substantial proportion of our total costs and expenses. For the three years ended 31 December 2019 and the four months ended 30 April 2020, our total employee benefit expenses amounted approximately RMB7.2 million, RMB20.9 million, RMB29.0 million and RMB9.5 million, respectively. Should we fail to retain our eligible staff or attract new staff, our capability to provide services to meet the needs of our customers may be adversely affected due to a shortfall in our workforce, which would negatively affect our profitability and financial performance.

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The following sensitivity analysis illustrates the impact of hypothetical changes in total employee benefit expenses under cost of services, selling and distribution expenses and general and administrative expenses on our profit before income tax during the Track Record Period. Fluctuations in our total employee benefit expenses are assumed to be 35% and 70% with reference to the historical fluctuations of the average employee benefit expenses per employee during the three years ended 31 December 2019 for illustrative purpose:

	Increase/(decrease) in profit before income tax			for the four months ended
	for the year ended 31 December			30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Hypothetical change				
+70%	(5,066)	(14,596)	(20,318)	(6,644)
+35%	(2,533)	(7,298)	(10,159)	(3,322)
-35%	2,533	7,298	10,159	3,322
-70%	5,066	14,596	20,318	6,644

Our ability to manage our profit margin for our mobile advertising services

The margin of our intermediary services is derived from the fees we charged our customers less the cost of virtual tokens consumed, while the margin of our precision advertising services is derived from the revenue generated from each effective results deducted by our cost of services. The fees we charge our customers, the fees charged by our media publishers for the consumption of virtual tokens or advertising traffic costs of suppliers may vary according to the market conditions. If we were not able to maintain our margin as mentioned above for our mobile advertising services, our profitability and financial performance may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical changes in our margin (in terms of gross revenue less the relevant advertising traffic costs) on our gross profit during the Track Record Period. Fluctuations in such margin are assumed to be 2.5% and 5% with reference to the historical fluctuations of our margin during the three years ended 31 December 2019 for illustrative purpose:

	Increase/(decrease) in gross profit			for the four months ended
	for the year ended 31 December			30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
+5.0%	1,978	3,992	4,070	1,998
+2.5%	989	1,996	2,035	999
-2.5%	(989)	(1,996)	(2,035)	(999)
-5.0%	(1,978)	(3,992)	(4,070)	(1,998)

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Our ability to manage the number of advertisement placements which we handled

For the three years ended 31 December 2019, we handled the placements of 797, 1,467 and 1,601 advertisements, which representing the growth of approximately 84.1% and 9.1% for the years ended 31 December 2018 and 2019, respectively. For the four months ended 30 April 2020, we handled the placements of 664 advertisements. However, the growth of the number of advertisements handled during the Track Record Period may not be indicative of our future growth. If we experience in decrease of advertising orders from our customers, our business, results of operations and financial performance may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical changes in number of advertisements placed on our gross revenue during the Track Record Period. Fluctuations in our number of advertisement placements which we handled are assumed to be 40% and 80% with reference to the historical fluctuation of our number of advertisement placements which we handled during the three years ended 31 December 2019 for illustrative purpose:

	Increase/(decrease) in gross revenue			for the four months ended
	for the year ended 31 December			30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
+80%	176,012	495,740	608,014	267,352
+40%	88,006	247,870	304,007	133,676
-40%	(88,006)	(247,870)	(304,007)	(133,676)
-80%	(176,012)	(495,740)	(608,014)	(267,352)

The following sensitivity analysis illustrates the impact of hypothetical changes in the number of advertisements handled on our gross profit during the Track Record Period. Fluctuations in our number of advertisement placements which we handled are assumed to be 40% and 80% with reference to the historical fluctuation of our number of advertisement placements which we handled during the three years ended 31 December 2019 for illustrative purpose:

	Increase/(decrease) in gross profit			for the four months ended
	for the year ended 31 December			30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
+80%	31,636	63,888	65,118	31,974
+40%	15,818	31,944	32,559	15,987
-40%	(15,818)	(31,944)	(32,559)	(15,987)
-80%	(31,636)	(63,888)	(65,118)	(31,974)

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The capabilities of our research and development team

Our research and development process is primarily driven by customer demands and involves collaborative efforts across multiple teams, such as sales and marketing and operation. And our success is mainly backed up by our big data and information technology capabilities with the support from our research and development team, including our self-developed DMP, software development skills and ERP. If our research and development team is unable to detect errors or bugs in our research and development process, or any loss of key person or employee in our research and development team for monitoring such defects, could result in harm to our reputation, loss of customers or liability for damages, any of these could adversely affect our business, results of operations and financial conditions.

BASIS OF PREPARATION

The historical Financial Information of our Group is presented in RMB, which is our Company's functional and our Group's presentation currency, and has been prepared in accordance with HKFRSs under the historical cost convention as modified by certain financial assets measured at fair value.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2020, are consistently applied to our Group throughout the Track Record Period.

We have applied HKFRS 9 "Financial instruments" ("**HKFRS 9**") consistently throughout the Track Record Period because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Also we have applied HKFRS 15 "Revenue from contracts with customers" ("**HKFRS 15**") consistently throughout the Track Record Period. HKFRS 15 replaces the previous revenue standards HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

We have also applied HKFRS 16 "Leases" ("**HKFRS 16**") which replaces the previous standards HKAS 17 "Leases". The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. Our Group has elected to apply HKFRS 16 which has been applied consistently throughout the Track Record Period. The policy is described in note 2.22 of the Accountant's Report in Appendix I to this prospectus.

Our Group has early adopted amendments to HKFRS 16 "COVID-19 Related Rent Concession" from 1 January 2020 in order to apply practical expedient on rent concession related to COVID-19 that is effective on or after 1 June 2020. The rent concession received by us related to COVID-19 for the four months ended 30 April 2020 amounted to RMB200,000.

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Amendments to HKFRS 16 “COVID-19-related rent concessions” allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

Impact of adoption of certain accounting policies and amendments

HKFRS 9, HKFRS 15, and HKFRS 16 have been adopted by us in the preparation of the historical Financial Information throughout the Track Record Period.

We have assessed the effects of the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 on the financial information and identified the following areas that have been affected:

- Adoption of new impairment model: HKFRS 9 requires the recognition of impairment provisions of financial assets measured at amortised cost based on expected credit losses. We assessed that the adoption of the new impairment methodology would not result in significant difference on allowance for doubtful debts.
- Presentation of contract liabilities in the consolidated statements of financial position: HKFRS 15 requires separate presentation of contract liabilities in the consolidated statements of financial position. This has resulted in reclassification in relation to the unsatisfied performance obligations. As at 31 December 2017, 2018 and 2019 and 30 April 2020, contract liabilities amounted to approximately RMB10,320,000, RMB23,717,000, RMB24,631,000 and RMB16,382,000, respectively, which should have been presented as “Other payables and accruals” if HKAS 18 had been applied throughout the Track Record Period.
- Timing of revenue recognition: Revenue is recognised when or as the service is transferred to the customer. Depending on the terms that apply to the contract, service is transferred at a point in time. Based on our assessment, the adoption of HKFRS 15 would not result in significant differences in the amount of revenue recognised during the Track Record Period as the timing of revenue recognition under HKFRS 15 is the same under HKAS 18.
- Accounting by lessees (financial position): HKFRS 16 removes the current distinction between operating and financing leases. Based on our assessment, assets (the rights to use the leased properties) of approximately RMB402,000,

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RMB1,934,000, RMB4,262,000 and RMB3,642,000, and financial liabilities of approximately RMB421,000, RMB1,952,000, RMB4,352,000 and RMB3,761,000 were recognised as at 31 December 2017, 2018 and 2019 and 30 April 2020 respectively.

- Accounting by lessees (performance): Lease expense of approximately RMB559,000, RMB773,000, RMB2,159,000 and RMB487,000 under HKAS 17 were replaced with interest expense of approximately RMB49,000, RMB52,000, RMB252,000 and RMB96,000, and depreciation of approximately RMB523,000, RMB720,000, RMB1,980,000 and RMB620,000 under HKFRS 16 for the three years ended 31 December 2019 and the four months ended 30 April 2020 respectively.

Based on our above assessment, we consider that the adoption of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period. The net impact on our financial performance and our net assets as a result of the adoption of HKFRS 16 is not significant as compared to that of HKAS 17; however, our right-of-use assets and lease liabilities on the consolidated statements of financial position have been recognised as a result of the adoption of HKFRS 16 as set out above, as compared to that of HKAS 17.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The principal accounting policies applied in the preparation of the historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

Also the preparation of the historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying our Group's accounting policies.

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

Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

Our Group provides mobile advertising services to customers in the PRC. Revenue from providing services is recognised when the services are rendered based on the specific terms of the contract.

Our Group earns revenue from two different business models including (a) precision advertising services and (b) intermediary services.

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The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether our Group is acting as the principal or an agent in the transactions. In determining whether our Group acts as the principal or an agent, our Group follows the accounting guidance for principal-agent considerations in HKFRS 15. Such determination involves judgment and is based on an evaluation of the terms of each arrangement as follows:

(a) Precision advertising services

Our Group generates revenue from providing comprehensive advertisement placement services to the advertisers. Our Group charges the advertisers based on specified action such as download, installation, registration of the mobile device users (“**cost per action**” or “**CPA**”), or sales of the advertisers (“**cost per sales**” or “**CPS**”), and the costs charged by the media publishers or advertising agents to our Group vary based on CPA, CPS, or the monetary value of virtual tokens which are consumed for procuring advertisement inventories and based on cost per download (“**CPD**”) or cost per click (“**CPC**”).

While none of the factors individually are considered presumptive or determinative, our Group controls the specified service before that service is transferred to a customer and is the principal in this arrangement because (i) the specified service being purchased by the advertiser is a successful acquisition of specific action from the mobile device users or successful sales transaction. Our Group is primarily responsible for delivering the specified services to the advertiser. Our Group has the discretion to decide which media publishers or advertising agents to use and what types of the advertisements to be placed. The media publishers or advertising agents provide media publishing service to our Group. Our Group obtains control of the right to their service and directs that service to be provided on our Group’s behalf in order to obtain a successful action from the mobile device user or sales transaction, and has the discretion in determining how much to pay the media publishers or advertising agents based on CPA, CPS, or the monetary value of virtual tokens which are consumed for procuring advertisement inventories and based on CPD or CPC; (ii) in some instances, our Group is subject to certain risk of loss to the extent that the cost paid to the media publishers or advertising agents for clicks or downloads cannot be compensated by the total consideration obtained from the advertisers according to acquisition of specific action or sales transaction. This is similar to inventory risk; and (iii) our Group has the latitude to determine the CPA or CPS charged to the advertiser, and our Group’s margin varies as the costs incurred to deliver successful action or sales transaction might vary. Therefore, our Group reports revenue earned from the advertisers and costs paid to the media publishers or advertising agents related to these transactions on a gross basis.

(b) Intermediary services

In this arrangement, our Group charges the advertisers based on CPC, CPD, cost per time (“**CPT**”), or cost per mille (“**CPM**”), which is the same pricing mechanism as how the media publishers or advertising agents charge our Group, and measured by the monetary value of virtual tokens consumed for procuring advertisement inventories. In determination of whether revenue should be reported on a gross or net basis, while none of the factors individually are

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considered presumptive or determinative, our Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to an advertiser, because (i) our Group does not have the latitude to select media publisher which is designated in the contract with the advertiser; (ii) the media advertisement space is not owned by our Group, and our Group does not have any commitments to purchase the advertising space, and therefore our Group does not have inventory risk; and (iii) our Group charges the advertisers based on CPC, CPD, CPT or CPM, which is the same pricing mechanism that the media publishers or advertising agents charge our Group, and measured by the monetary value of virtual tokens consumed for procuring advertisement inventories, although our Group has discretion in determining the price charged to the advertiser. Therefore, our Group determines it is the agent in the transaction based on the weight of the aforementioned factors.

Our Group reports the amount received from the advertisers and the amounts paid to the media publishers or advertising agents related to these transactions on a net basis.

When either party to a contract has performed, our Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between our Group's performance and the customer's payment.

A contract asset is our Group's right to consideration in exchange for services that our Group has transferred to a customer. A receivable is recorded when our Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers services to the customer, our Group has a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our Group's obligation to transfer services to a customer for which our Group has received consideration from the customer.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

Gross versus net assessment in revenue recognition

As disclosed in note 2.21 to the Accountant's Report in Appendix I of this prospectus, our Group provides mobile advertising services to our customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal versus agent assessment in different business models. Our Group follows the accounting guidance for principal-agent considerations to assess whether our 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; (c) whether the entity has discretion in establishing the prices for the specified service; and (d) whether the entity has discretion in selecting suppliers. The

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management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on different circumstances.

Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Our Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 17 to the Accountant's Report in Appendix I of this prospectus for further information about our Group's accounting for trade and other receivables and note 2.10(d) to the Accountant's Report in Appendix I of this prospectus for a description of our Group's impairment policies.

Impairment for trade receivables

For impairment for trade receivables, our Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Management assesses the impairment of trade receivables according to the trade receivables' aging, management's prior experiences and customers' conditions as well as applying management's judgments and estimates when determining the impairment to be recognised. The impairment provisions for trade receivables are based on assumptions about the expected loss rates. Our Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade receivables.

Impairment for other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Our Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where our Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Current and deferred tax are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth a summary of the consolidated results of our Group for the three years ended 31 December 2019 and the four months ended 30 April 2020, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountant's Report in Appendix I to this prospectus:

	For the year ended 31 December			For the four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	102,570	254,915	281,934	77,221	115,238
Cost of services	(63,024)	(175,056)	(200,536)	(54,950)	(75,270)
Gross profit	39,546	79,859	81,398	22,271	39,968
Selling and distribution expenses	(507)	(3,171)	(4,051)	(1,072)	(871)
General and administrative expenses	(7,993)	(30,990)	(32,966)	(10,353)	(13,169)
Net impairment losses on financial assets	(80)	(313)	(1,086)	(319)	(323)
Other gains – net	–	–	1,956	139	1,312
Operating profit	30,966	45,385	45,251	10,666	26,917
Finance income	8	29	40	6	16
Finance costs	(114)	(338)	(563)	(463)	(280)
Finance costs – net	(106)	(309)	(523)	(457)	(264)
Profit before income tax	30,860	45,076	44,728	10,209	26,653
Income tax expense	–	(2,690)	(6,294)	(1,398)	(2,377)
Profit for the year/period	<u>30,860</u>	<u>42,386</u>	<u>38,434</u>	<u>8,811</u>	<u>24,276</u>

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PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a breakdown of our Group's revenue and gross profit by service types during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Precision advertising services										
Gross revenue (A)	80,959		210,656		236,086		65,735		92,268	
Advertising traffic costs	(61,472)		(167,674)		(187,327)		(51,771)		(71,881)	
Margin (B)	19,487	24.1	42,982	20.4	48,759	20.7	13,964	21.2	20,387	22.1
Intermediary services										
Gross revenue	139,055		409,020		523,932		147,338		241,924	
Advertising traffic costs	(117,444)		(364,761)		(478,084)		(135,852)		(218,954)	
Net revenue/Margin (C)	21,611	15.5	44,259	10.8	45,848	8.8	11,486	7.8	22,970	9.5
Total revenue (A+C)⁽¹⁾	102,570		254,915		281,934		77,221		115,238	
Other direct costs										
Employee benefit expenses	(647)		(5,272)		(10,291)		(2,411)		(2,344)	
Depreciation and amortisation	(277)		(321)		(1,435)		(353)		(351)	
Others ⁽²⁾	(628)		(1,789)		(1,483)		(415)		(694)	
Subtotal (D)	(1,552)		(7,382)		(13,209)		(3,179)		(3,389)	
Gross profit (B+C-D)	39,546	38.6	79,859	31.3	81,398	28.9	22,271	28.8	39,968	34.7

(1): Total revenue represents the revenue for our precision advertising services under gross basis and the revenue for our intermediary services under net basis.

(2): Others mainly consisted of entertainment expenses, office expenses, short-term lease expenses and travelling expenses.

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Revenue

Our revenue mainly comprises of proceeds from providing mobile advertising services in China, which is recognised in the accounting period in which our services are rendered. Our Group earns revenue from two different service types including (a) the intermediary services which our Group acts as the agent and/or (b) the precision advertising services, which our Group acts as the principal.

The following table sets forth a breakdown of our Group's revenue by service types during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
Precision advertising services	80,959	78.9	210,656	82.6	236,086	83.7	65,735	85.1	92,268	80.1
Intermediary services	21,611	21.1	44,259	17.4	45,848	16.3	11,486	14.9	22,970	19.9
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

Our revenue increased significantly from approximately RMB102.6 million for the year ended 31 December 2017 to RMB254.9 million for the year ended 31 December 2018, representing a growth of approximately 148.5%, and further increased to approximately RMB281.9 million for the year ended 31 December 2019, representing a growth of approximately 10.6%. Such increase was mainly due to the significant increase in our number of customers during the Track Record Period. The increase in our revenue were principally driven by (i) the overall increase in market size of mobile advertising market at a CAGR of approximately 61.7% from 2014 to 2019, according to the F&S Report; (ii) the increase in number of our customers and advertisements placed from them during the Track Record Period, whereas we only commenced our business in 2016 and started with a relatively small base number of customers and transaction amount, and we subsequently expanded our customer base, from 279 customers for the year ended 31 December 2017 to 592 customers served for the year ended 31 December 2019; (iii) we had become the core advertising agents recognised by an increasing number of media publishers during the Track Record Period, from three as at 31 December 2017 to 11 as at 31 December 2019, which helped build our reputation and attract more customers; and (iv) to our Directors' belief, our ability to capture new business opportunities in the fast growing mobile advertising industry. We had 260, 331 and 388 new customers for the three years ended 31 December 2019, respectively which, among others, including the following key customers:

- (i) Customer A, of which we have provided precision advertising services and intermediary services to them since 2016. Revenue generated from this group of customers accounted for approximately 15.9%, 8.6% and 2.2% of our revenue (based on gross basis of revenue recognition) for the three years ended 31 December 2019, respectively;
- (ii) Customer B, of which we have provided our precision advertising services and intermediary services to them since 2017. Revenue generated from this group of customers accounted for approximately 5.4%, 8.4% and 24.0% of our revenue (based on gross basis of revenue recognition) for the three years ended 31 December 2019, respectively;

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- (iii) Customer F, of which we have provided our precision advertising services and intermediary services to them since 2017. Revenue generated from this group of customers accounted for approximately 2.8%, 2.1% and 6.6% of our revenue (based on gross basis of revenue recognition) for the three years ended 31 December 2019, respectively; and
- (iv) Customer C, of which we have provided our precision advertising services to it since 2018. Revenue generated from this customer accounted for approximately 3.5% and 5.9% of our revenue (based on gross basis of revenue recognition) for the years ended 31 December 2018 and 2019, respectively.

Our revenue increased from approximately RMB77.2 million for the four months ended 30 April 2019 to RMB115.2 million for the four months ended 30 April 2020, representing an increase of approximately 49.2%. Such increase was mainly attributable to the expansion in the business scale.

Precision advertising services

We recognise our revenue generated from our precision advertising services based on gross basis of revenue recognition. For the three years ended 31 December 2019, the revenue generated from our precision advertising services amounted to approximately RMB81.0 million, RMB210.7 million and RMB236.1 million, respectively, representing approximately 36.8%, 34.0% and 31.1% of our total revenue based on gross basis of revenue recognition, respectively. For the four months ended 30 April 2019 and 2020, the gross revenue generated from our precision advertising services amounted to approximately RMB65.7 million and RMB92.3 million, representing approximately 30.9% and 27.6% of our total revenue based on gross basis of revenue recognition, respectively. Such increase was mainly due to the expansion in the business scale and our customer base during the Track Record Period.

Intermediary services

We recognise our revenue generated from our intermediary services based on net basis of revenue recognition. For the three years ended 31 December 2019 and the four months ended 30 April 2020, our revenue generated from our intermediary services were recorded on net basis of revenue recognition, amounted to approximately RMB21.6 million, RMB44.3 million, RMB45.8 million and RMB23.0 million, respectively. The following table illustrates the reconciliation of our gross revenue and net revenue of our intermediary services during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Gross revenue	139,055	409,020	523,932	147,338	241,924
Less: advertising traffic costs	(117,444)	(364,761)	(478,084)	(135,852)	(218,954)
Net revenue	21,611	44,259	45,848	11,486	22,970

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For the three years ended 31 December 2019, the gross revenue generated from our intermediary services amounted to approximately RMB139.1 million, RMB409.0 million and RMB523.9 million, respectively, representing approximately 63.2%, 66.0% and 68.9% of our total revenue based on gross basis of revenue recognition, respectively. For the four months ended 30 April 2020, the gross revenue generated from our intermediary services amounted to approximately RMB241.9 million, representing approximately 72.4% of our total revenue based on gross basis of revenue recognition, compared to that of approximately RMB147.3 million and 69.1% for the corresponding period in 2019. Such increase was mainly due to the expansion in the business scale during the Track Record Period.

The following tables set out the total revenue by still image and video format advertisements during the Track Record Period:

Gross revenue for both our intermediary services and our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Still image format	220,014	100.0	581,644	93.9	379,939	50.0	114,870	53.9	157,487	47.1
Video format	–	–	38,032	6.1	380,079	50.0	98,203	46.1	176,705	52.9
Total	220,014	100.0	619,676	100.0	760,018	100.0	213,073	100.0	334,192	100.0

Revenue recognised on the net basis for our intermediary services and gross basis for our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Still image format	102,570	100.0	252,580	99.1	248,271	88.1	69,191	89.6	98,958	85.9
Video format	–	–	2,335	0.9	33,663	11.9	8,030	10.4	16,280	14.1
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

We began to place advertisements in video format in April 2018.

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The five largest types of services or products we advertised for our customers or the end customers in term of revenue contribution during the Track Record Period are (i) mobile internet services; (ii) mobile utilities; (iii) financial services; (iv) mobile games; and (v) e-commerce. The following tables set out a breakdown of our total revenue by product types of the subject matter of the advertisements during the Track Record Period:

Gross revenue for both our intermediary services and our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mobile internet services	127,519	58.0	327,736	52.9	388,072	51.0	97,170	45.6	184,510	55.2
Mobile utilities	56,821	25.8	174,585	28.2	142,768	18.8	48,094	22.6	62,871	18.8
Financial services	23,162	10.5	85,694	13.8	106,120	14.0	21,129	9.9	37,632	11.3
Mobile games	9,284	4.2	18,757	3.0	14,274	1.9	899	0.4	17,405	5.2
E-commerce	3,228	1.5	12,904	2.1	108,784	14.3	45,781	21.5	31,774	9.5
Total	220,014	100.0	619,676	100.0	760,018	100.0	213,073	100.0	334,192	100.0

The largest type of services or products we advertised for our customers was mobile internet services for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively.

Revenue recognised on the net basis for our intermediary services and gross basis for our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mobile internet services	34,930	34.0	91,212	35.8	104,171	37.0	32,917	42.6	23,222	20.2
Mobile utilities	54,750	53.4	100,937	39.6	72,504	25.7	20,325	26.3	45,711	39.7
Financial services	2,958	2.9	43,975	17.2	84,095	29.8	18,741	24.3	36,306	31.5
Mobile games	8,370	8.2	12,453	4.9	2,389	0.8	390	0.5	1,563	1.4
E-commerce	1,562	1.5	6,338	2.5	18,775	6.7	4,848	6.3	8,436	7.2
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

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The following tables set forth a breakdown of our revenue by customer type during the Track Record Period:

Gross revenue for both our intermediary services and our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Advertisers	175,067	79.6	516,249	83.3	664,579	87.4	179,884	84.4	314,588	94.1
Advertising agents	44,947	20.4	103,427	16.7	95,439	12.6	33,189	15.6	19,604	5.9
Total	220,014	100.0	619,676	100.0	760,018	100.0	213,073	100.0	334,192	100.0

Revenue recognised on the net basis for our intermediary services and gross basis for our precision advertising services

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Advertisers	73,773	71.9	175,848	69.0	208,968	74.1	48,996	63.4	103,811	90.1
Advertising agents	28,797	28.1	79,067	31.0	72,966	25.9	28,225	36.6	11,427	9.9
Total	102,570	100.0	254,915	100.0	281,934	100.0	77,221	100.0	115,238	100.0

Cost of services

Our cost of services mainly comprised of (i) advertising traffic costs for engaging suppliers for the provision of advertisement placing services for our precision advertising services; (ii) employee benefit expenses; (iii) depreciation and amortisation. The following table sets forth a breakdown of our cost of services by nature during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Advertising traffic costs	61,472	97.5	167,674	95.8	187,327	93.4	51,771	94.2	71,881	95.5
Employee benefit expenses	647	1.0	5,272	3.0	10,291	5.1	2,411	4.4	2,344	3.1
Depreciation and amortisation	277	0.4	321	0.2	1,435	0.7	353	0.6	351	0.5
Others ⁽¹⁾	628	1.1	1,789	1.0	1,483	0.8	415	0.8	694	0.9
Total	63,024	100.0	175,056	100.0	200,536	100.0	54,950	100.0	75,270	100.0

(1): Others mainly consisted of entertainment expenses, office expenses, short-term lease expenses and travelling expenses.

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Our cost of services increased from approximately RMB63.0 million for the year ended 31 December 2017 to RMB175.1 million for the year ended 31 December 2018, representing a growth of approximately 177.8%, and further increased to RMB200.5 million for the year ended 31 December 2019, representing a growth of approximately 14.6%. For the four months ended 30 April 2020, our cost of services was approximately RMB75.3 million, compared to that of approximately RMB55.0 million for the corresponding period in 2019.

Our advertising traffic costs for our precision advertising services, representing the costs we paid to our media publishers and advertising agents to obtain the advertising traffic for our customers, to which only costs for effective results as confirmed by our customers would be payable, amounted to approximately RMB61.5 million, RMB167.7 million, RMB187.3 million for the three years ended 31 December 2019, respectively. For the four months ended 30 April 2020, our advertising traffic costs was approximately RMB71.9 million, compared to that of approximately RMB51.8 million for the corresponding period in 2019. All such increases were mainly due to the expansion in our business scale during the Track Record Period, which was in line with the increase in our revenue.

Our employee benefit expenses, representing the salaries, wages, bonus, pension costs and other employee benefits of our staff in connection with our revenue generated from both the intermediary services and the precision advertising services, amounted to approximately RMB0.6 million, RMB5.3 million, RMB10.3 million for the three years ended 31 December 2019, respectively. The increases in our employee benefit expenses were mainly attributable to the increase in number of our employees from 65 as at 31 December 2017 to 113, 166 and 169 as at 31 December 2018 and 2019 and 30 April 2020, respectively, along with our business expansion, in particular, the increase in number of project enhancers from 12 as at 31 December 2017 to 20 and 51 as at 31 December 2018 and 2019. For the four months ended 30 April 2020, our employee benefit expenses remained stable at approximately RMB2.3 million, compared to that of approximately RMB2.4 million for the corresponding period in 2019.

Our depreciation and amortisation significantly increased from approximately RMB0.3 million for the year ended 31 December 2018 to RMB1.4 million for the year ended 31 December 2019, which was mainly due to relocation of our office premises in 2019. Our depreciation and amortisation remained stable at approximately RMB0.4 million for the four months ended 30 April 2019 and 30 April 2020, respectively.

Gross profit and gross profit margin

Our gross profit was calculated by deducting our cost of services from our revenue. The following table sets forth a summary of our gross profit and gross profit margin during the Track Record Period, in which the margins of our two service types are for illustrative purpose:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Margin of our precision advertising services	19,487	24.1	42,982	20.4	48,759	20.7	13,964	21.2	20,387	22.1
Margin of our intermediary services	21,611	15.5	44,259	10.8	45,848	8.8	11,486	7.8	22,970	9.5
Gross profit	39,546	38.6	79,859	31.3	81,398	28.9	22,271	28.8	39,968	34.7

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For the three years ended 31 December 2019, our gross profit was approximately RMB39.5 million, RMB79.9 million and RMB81.4 million, respectively. For the four months ended 30 April 2020, our gross profit was approximately RMB40.0 million, compared to that of RMB22.3 million for the corresponding period in 2019. Such increases were mainly due to the expansion in the business scale during the Track Record Period. For further details on the increment of our revenue, please refer to the paragraphs headed “Principal components of consolidated statements of comprehensive income – Revenue” in this section.

Precision advertising services

Our margin (in terms of RMB) for our provision of the precision advertising services increased from approximately RMB19.5 million for the year ended 31 December 2017 to RMB43.0 million for the year ended 31 December 2018, representing a growth of approximately 120.6%, and further increased to approximately RMB48.8 million for the year ended 31 December 2019, representing a growth of approximately 13.4%. For the four months ended 30 April 2020, our margin (in terms of RMB) for our precision advertising services was approximately RMB20.4 million, compared to that of RMB14.0 million for the corresponding period in 2019. The growth in such margin was in line with the increase in our revenue.

While our margins (in terms of %) in our precision advertising services were approximately 24.1%, 20.4%, 20.7% and 22.1% for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The fluctuation of our margin, particularly for the year ended 31 December 2018, was mainly attributable to our Group’s adoption of a competitive pricing strategy in order to retain, deepen and expand our relationships with the existing customers and attract new customers in light of the intensified competition in mobile advertising market.

Intermediary services

Our margin (in terms of RMB) for our provision of the intermediary services increased from approximately RMB21.6 million for the year ended 31 December 2017 to RMB44.3 million for the year ended 31 December 2018, representing a growth of approximately 104.8%, and further increased to RMB45.8 million for the year ended 31 December 2019, representing a growth of approximately 3.6%. For the four months ended 30 April 2020, our margin (in terms of RMB) for our intermediary services was approximately RMB23.0 million, compared to that of RMB11.5 million for the corresponding period in 2019. The growth in such margin (in terms of RMB) was in line with the increase in our revenue.

Our margin (in terms of %) of our intermediary services was approximately 15.5%, 10.8%, 8.8% and 9.5% for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. The fluctuations in such margin was mainly due to the increasing transactions with media publishers with higher popularity in the mobile advertising market, whose margins are thinner across the periods. Meanwhile, our media publisher base changed during the Track Record Period to support and expand our intermediary services. We reached four media publishers for our intermediary services in 2016 and further reached 41, 45, 30 and

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13 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively, among which, three, seven, 11 and eight media publishers recognised us as their core advertising agent as at the same dates, respectively. Our margin of our intermediary services depends on the composition of media publishers where our customers' advertisements are placed. We are generally offered less discount from advertisements placed at first-tier media publishers with stable and large traffic. On the other hand, we generally can enjoy a higher discount at second-tier media publishers. The margin we earned thus varied among our major media publishers in our intermediary services, which the aggregate gross revenue amounted to over 75% of the total gross revenue of our intermediary services, and were ranged from approximately 4.9% to 17.4% during the Track Record Period.

Our margin (in terms of %) in our intermediary services were approximately 15.5% and 10.8% for the two years ended 31 December 2018, respectively. The decline of our margin for the year ended 31 December 2018 was mainly due to (i) the increase in gross revenue generated from advertisements placed at Media Publisher C and Media Publisher D whose margins were thinner. For the year ended 31 December 2018, gross revenue generated from advertisements placed at Media Publisher C and Media Publisher D amounted to approximately 15.2% and 12.0% of total gross revenue from our intermediary services, respectively, while their margins were approximately 5.3% and 8.1%, respectively; and (ii) the decrease in margin from advertising at Media Publisher B as we offered competitive pricing to our customers on advertising at Media Publisher B in order to compete with other market participants.

Our margin (in terms of %) in our intermediary services further decreased from approximately 10.8% for the year ended 31 December 2018 to 8.8% for the year ended 31 December 2019. Such decrease for the year ended 31 December 2019 was mainly attributable to (i) a higher portion of gross revenue was generated from advertisements placed at first-tier media publishers whose margins were thinner. For the year ended 31 December 2019, gross revenue generated from advertisements placed at Media Publisher F and Media Publisher C amounted to approximately 22.1% and 20.3% of total gross revenue from our intermediary services, respectively, while their margins were approximately 4.9% and 6.9%, respectively; and (ii) the decrease in gross revenue generated from advertising at Media Publisher A whose margin was amounted to approximately 17.4% for the year ended 31 December 2018.

Our margin (in terms of %) in our intermediary services increased from approximately 7.8% for the four months ended 30 April 2019 to 9.5% for the four months ended 30 April 2020. Such increase was mainly attributable to a higher proportion of gross revenue was generated from advertisements placed at media publishers other than first-tier media publishers during the four months ended 30 April 2020 as compared to the corresponding period in 2019. For the four months ended 30 April 2020, gross revenue generated from advertisements placed at Media Publisher E increased to approximately 44.9% of total gross revenue from our intermediary services, while its margin was approximately 11.4%.

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The following table sets forth a breakdown by customer type of our aggregate margin during the Track Record Period for illustrative purpose:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
					Margin					
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Advertisers	<u>31,899</u>	<u>18.2</u>	<u>62,549</u>	<u>12.1</u>	<u>77,836</u>	<u>11.7</u>	<u>20,504</u>	<u>11.4</u>	<u>39,931</u>	<u>12.7</u>
Advertising agents	<u>9,199</u>	<u>20.5</u>	<u>24,692</u>	<u>23.9</u>	<u>16,771</u>	<u>17.6</u>	<u>4,946</u>	<u>14.9</u>	<u>3,426</u>	<u>17.5</u>

Advertisers

Our margin (in terms of RMB) from advertisers increased from approximately RMB31.9 million for the year ended 31 December 2017 to RMB62.5 million for the year ended 31 December 2018, representing a growth of approximately 96.1%, and further increased to approximately RMB77.8 million for the year ended 31 December 2019, representing a growth of approximately 24.4%. For the four months ended 30 April 2020, our margin (in terms of RMB) from advertisers was approximately RMB39.9 million, compared to that of RMB20.5 million for the corresponding period in 2019. The growth in such margin was in line with the increase in our revenue (based on gross basis of revenue recognition).

Our margin (in terms of %) from advertisers were approximately 18.2%, 12.1%, 11.7% and 12.7% during the Track Record Period, respectively. The fluctuations in our margins were mainly attributable from our intermediary services with reasons as set out in the paragraphs headed “Principal components of consolidated statements of comprehensive income – Gross profit and gross profit margin – Intermediary services” in this section.

Advertising agents

Our margin (in terms of RMB) from advertising agents increased from approximately RMB9.2 million for the year ended 31 December 2017 to approximately RMB24.7 million for the year ended 31 December 2018, representing a growth of approximately 168.4%, and decreased to approximately RMB16.8 million for the year ended 31 December 2019, representing a decline of approximately 32.1%. For the four months ended 30 April 2020, our margin (in terms of RMB) from advertising agents was approximately RMB3.4 million, compared to that of RMB4.9 million for the corresponding period in 2019.

Our margin (in terms of %) from advertising agents were approximately 20.5%, 23.9%, 17.6% and 17.5% during the Track Record Period, respectively. The higher margin recorded in 2018 was mainly attributable to a scalable marketing campaign for a product with relatively high margin we engaged in 2018, under which we provided our precision advertising services.

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According to the F&S Report, the price of advertisement inventories for top media experienced a growth over the past years and in the foreseeable future will show an upward trend, while the price of advertisement inventories for long to medium tailed media varied depending on content quality, life span, user base and advertising performance of platforms and is expected to vary in the future. Such trend in the advertising traffic costs may erode our gross profit margin to the extent whether we are able to transfer the burden of additional costs to our customers. If we cannot raise our advertising fees, or if the percentage of increase in advertising fees cannot match with that of the advertising traffic costs, greater degree of erosion on our gross profit margin may be resulted. Please refer to the section headed “Risk factors – Fluctuations in the advertising traffic costs may have adverse effect to our profitability” of this prospectus for further details.

Advertising format

The following table sets forth a breakdown by still image and video format advertisements of our margin (in terms of RMB and %) during the Track Record Period for illustrative purpose:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Still image format	41,098	18.7	84,906	14.6	60,944	16.0	17,420	15.2	27,077	17.2
Video format	–	–	2,335	6.1	33,663	8.9	8,030	8.2	16,280	9.2

Selling and distribution expenses

Our selling and distribution expenses mainly comprised of (i) employee benefit expenses; (ii) entertainment expenses; (iii) office expenses; and (iv) travelling expenses. The following table sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Employee benefit expenses	184	36.3	2,192	69.1	3,126	77.2	826	77.1	509	58.4
Travelling expenses	37	7.3	513	16.2	350	8.6	119	11.1	296	34.0
Entertainment expenses	22	4.3	162	5.1	323	8.0	63	5.9	37	4.2
Office expenses	192	37.9	118	3.7	48	1.2	6	0.6	–	–
Others ⁽¹⁾	72	14.2	186	5.9	204	5.0	58	5.3	29	3.4
Total	507	100.0	3,171	100.0	4,051	100.0	1,072	100.0	871	100.0

(1): Others mainly consisted of depreciation and amortisation and short-term lease expenses.

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During the Track Record Period, selling and distribution expenses amounted to approximately RMB0.5 million, RMB3.2 million and RMB4.1 million, respectively, which increased by approximately RMB2.7 million, or 525.4%, from the year ended 31 December 2017 to the year ended 31 December 2018 and approximately RMB0.9 million, or 27.8%, from the year ended 31 December 2018 to the year ended 31 December 2019. Our selling and distribution expenses remained stable at approximately RMB1.1 million and RMB0.9 million for the four months ended 30 April 2019 and 2020, respectively. The largest components of our selling and distribution expenses was employee benefit expenses, which amounted to approximately RMB0.2 million, RMB2.2 million and RMB3.1 million for the three years ended 31 December 2019, respectively. All such increases were mainly due to the increase in number of employees in connection with our business growth. Our employee benefit expenses decreased from approximately RMB0.8 million for the four months ended 30 April 2019 to RMB0.5 million for the four months ended 30 April 2020. Such decrease were mainly attributable to the temporary postponement and/or exemption of paying our social insurance and housing funds as a result of the recent outbreak of COVID-19.

General and administrative expenses

Our general and administrative expenses mainly comprised of (i) employee benefit expenses; (ii) listing expenses; and (iii) share-based payment expenses – non employee. The following table sets forth a breakdown of our general and administrative expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Employee benefit expenses	6,406	80.1	13,388	43.2	15,608	47.3	4,021	38.8	6,637	50.4
Listing expenses	–	–	8,033	25.9	11,084	33.6	3,241	31.3	4,036	30.6
Share-based payment expenses – non employee	–	–	3,430	11.1	1,430	4.3	1,430	13.8	–	–
Consultancy fees	–	–	2,189	7.1	1,118	3.4	642	6.2	238	1.8
Office expenses	355	4.4	476	1.5	935	2.8	469	4.5	180	1.4
Depreciation and amortisation	418	5.2	642	2.1	818	2.5	202	2.0	218	1.7
Server charges and IT fees	79	1.0	1,174	3.8	610	1.9	128	1.2	909	6.9
Short-term lease expenses	121	1.5	361	1.1	215	0.7	83	0.8	40	0.3
Auditors' remuneration	60	0.8	143	0.5	78	0.2	–	–	52	0.4
Others ⁽¹⁾	554	7.0	1,154	3.7	1,070	3.3	137	1.4	859	6.5
Total	7,993	100.0	30,990	100.0	32,966	100.0	10,353	100.0	13,169	100.0

(1): Others mainly consisted of delivery expenses, entertainment expenses and travelling expenses.

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During the Track Record Period, general and administrative expenses amounted to approximately RMB8.0 million, RMB31.0 million and RMB33.0 million, respectively, which increased by approximately RMB23.0 million, or 287.7%, from the year ended 31 December 2017 to the year ended 31 December 2018 and approximately RMB2.0 million, or 6.4%, from the year ended 31 December 2018 to the year ended 31 December 2019. The significant increases were mainly due to (i) the increase in number of employees during the Track Record Period in connection with the expansion of our business scale for our intermediary services, our precision advertising services and our business growth; (ii) the share-based payment expenses; and (iii) listing expenses incurred during the years ended 31 December 2018 and 2019. For the four months ended 30 April 2020, our general and administrative expenses was approximately RMB13.2 million, compared to that of approximately RMB10.4 million for the corresponding period in 2019. Such increase was mainly due to (i) the increase in number of employees in connection with our business growth; and (ii) the increase in listing expenses incurred during the four months ended 30 April 2020.

Furthermore, the consultancy fees represented expenses which related to the consultation services regarding tax advisory and internal policy for our Group for the years ended 31 December 2018 and 2019 and the four months ended 30 April 2020.

Our share-based payment expenses – non employee represented the difference between the fair value of the equity share issued as of the share issuance date and the cash consideration received from the acquisition of 1% equity share of Huzhou Bright Future by Mr. Zhu for the years ended 31 December 2018 and 2019. Our Company engaged an independent valuer in assessing our Group's fair value of equity as at 31 December 2018 and 31 December 2019, being the valuation reference date for the acquisition and subscription of shares by Mr. Zhu in November 2018 and by City Energy in February 2019, respectively. According to the valuation conducted by an independent valuer with reference to the discounted cash flow model, the fair value of 1% of our Group's equity in November 2018 was approximately RMB3.7 million and the fair value of 2% of our Group's equity in February 2019 was approximately RMB7.5 million. The difference between RMB3.7 million and RMB0.3 million, which was approximately RMB3.4 million, was recorded as "share-based payment expenses – non employee" for the year ended 31 December 2018. The difference between RMB7.5 million and HK\$7.0 million (equivalent to approximately RMB6.1 million), which was approximately RMB1.4 million, was charged during the year ended 31 December 2019 as "Share-based payment expenses – non employee" given no vesting condition exists.

Net impairment losses on financial assets

Our net impairment losses on financial assets represented the expected credit losses from our trade receivables. During the Track Record Period, such impairment losses amounted to approximately RMB80,000, RMB0.3 million, RMB1.1 million and RMB0.3 million, respectively.

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Other gains – net

Our other gains – net represented our fair value gains on our two financial assets acquired and the value-added tax refunds which mainly benefited from the addition tax credit policy during the year ended 31 December 2019 and the four months ended 30 April 2020. Such income amounted approximately RMB2.0 million for the year ended 31 December 2019 and RMB1.3 million for the four months ended 30 April 2020.

Finance costs – net

Our finance costs – net represented our interest expenses of our lease liabilities, loans from our Shareholders and Directors and bank borrowings which were partially offset by our interest income from our bank deposits. During the Track Record Period, finance costs – net amounted to approximately RMB106,000, RMB309,000, RMB523,000 and RMB264,000, respectively.

Income tax expense

Our income tax expense amounted to nil, approximately RMB2.7 million, RMB6.3 million and RMB2.4 million during the Track Record Period. For the three years ended 31 December 2019, the effective tax rate of our Group was nil, approximately 6.0%, 14.1% and 8.9%, respectively. Our Company and our subsidiaries are corporations incorporated in different jurisdictions, with different taxation requirements illustrated below:

Cayman Islands and BVI

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and accordingly is not subject to income tax. While pursuant to the rules and regulations of the BVI, our Group is not subject to any income tax in the BVI.

Hong Kong

No provision for Hong Kong profits tax has been made as our Group did not have any assessable income subject to Hong Kong profits tax during the Track Record Period.

PRC Enterprise Income Tax

Income tax provision of our Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year/periods, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%. Certain subsidiaries of our Group in the PRC, in particular, Shenzhen Bright Future, Shenzhen Lindu and Huzhou Bright Future have been granted software enterprise status and are entitled to enjoy an income tax exemption for two years beginning with the first profitable year and a 50% reduction for the subsequent three years while for Khorgas Velocity Network, a four-year tax free period has been granted by local tax authority.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 30 April 2020 compared with four months ended 30 April 2019

Revenue

Our revenue increased by approximately RMB38.0 million or 49.2% from approximately RMB77.2 million for the four months ended 30 April 2019 to approximately RMB115.2 million for the four months ended 30 April 2020. Such increase was mainly attributable to increase in revenue generated from our precision advertising services and the net revenue generated from our intermediary services.

Our revenue generated from our precision advertising services increased by approximately RMB26.6 million, or 40.4%, from approximately RMB65.7 million for the four months ended 30 April 2019 to approximately RMB92.3 million for the four months ended 30 April 2020. Such increase was mainly due to the expansion of business scale and our customer base. While our revenue generated from our intermediary services recognised under net basis of revenue recognition increased by approximately RMB11.5 million or 100.0% from approximately RMB11.5 million for the four months ended 30 April 2019 to approximately RMB23.0 million for the four months ended 30 April 2020. Such increase was mainly due to the expansion of business scale.

Cost of services

Our cost of services increased by approximately RMB20.3 million, or 37.0%, from approximately RMB55.0 million for the four months ended 30 April 2019 to approximately RMB75.3 million for the four months ended 30 April 2020. Such cost of services increased as a result of the expansion of our business scale of our precision advertising services.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB17.7 million or 79.5% from RMB22.3 million for the four months ended 30 April 2019 to approximately RMB40.0 million for the four months ended 30 April 2020. Our margin (in terms of RMB) for our precision advertising services increased from approximately RMB14.0 million for the four months ended 30 April 2019 to RMB20.4 million for the four months ended 30 April 2020, representing a growth of approximately 46.0%. Our margin (in terms of RMB) for our intermediary services increased from approximately RMB11.5 million for the four months ended 30 April 2019 to RMB23.0 million for the four months ended 30 April 2020, representing a growth of approximately 100.0%. Such increase was mainly attributable to our business expansion during the four months ended 30 April 2020.

Our gross profit margin increased from approximately 28.8% for the four months ended 30 April 2019 to approximately 34.7% for the four months ended 30 April 2020. Our margin (in terms of %) for our precision advertising services remained stable at approximately 21.2% and 22.1% for the four months ended 30 April 2019 and 2020, respectively. Our margin (in terms of %) for our intermediary services increased from approximately 7.8% for the four months ended 30 April 2019 to approximately 9.5% for the four months ended 30 April 2020. Such increase was stated in the paragraphs headed “Principal components of consolidated statements of comprehensive income – Gross profit and gross profit margin – Intermediary services” in this section.

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Selling and distribution expenses

Our selling and distribution expenses remained stable at approximately RMB1.1 million and RMB0.9 million for the four months ended 30 April 2019 and 2020, respectively.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB2.8 million or 27.2% from approximately RMB10.4 million for the four months ended 30 April 2019 to approximately RMB13.2 million for the four months ended 30 April 2020. Such increase was mainly due to (i) the increase in number of employees in connection with our business growth; and (ii) the increase in listing expenses incurred during the four months ended 30 April 2020.

Finance costs – net

Our finance costs – net decreased by approximately RMB193,000, from approximately RMB457,000 for the four months ended 30 April 2019 to approximately RMB264,000 for the four months ended 30 April 2020. Such decrease was mainly due to the appreciation of RMB against HKD in relation to the listing expenses charged in HKD and our interest expenses from bank borrowings during the four months ended 30 April 2020.

Other gains – net

Our other gains – net increased by approximately RMB1.2 million, from approximately RMB0.1 million for the four months ended 30 April 2019 to approximately RMB1.3 million for the four months ended 30 April 2020. Such increase was mainly due to the value-added tax refunds granted during the four months ended 30 April 2020.

Income tax expense

Our income tax expense increased from approximately RMB1.4 million for the four months ended 30 April 2019 to approximately RMB2.4 million for the four months ended 30 April 2020, which mainly resulted from our business growth during the four months ended 30 April 2020.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately RMB15.5 million or 175.5% from approximately RMB8.8 million for the four months ended 30 April 2019 to approximately RMB24.3 million for the four months ended 30 April 2020.

Year ended 31 December 2019 compared with year ended 31 December 2018

Revenue

Our revenue increased by approximately RMB27.0 million, or 10.6%, from approximately RMB254.9 million for the year ended 31 December 2018 to RMB281.9 million for the year ended 31 December 2019. Such increase was mainly attributable to increase in revenue generated from our precision advertising services and the net revenue generated from our intermediary services.

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Our revenue generated from our precision advertising services increased by approximately RMB25.4 million, or 12.1%, from approximately RMB210.7 million for the year ended 31 December 2018 to RMB236.1 million for the year ended 31 December 2019. Our revenue generated from our intermediary services recognised under net basis of revenue recognition slightly increased by approximately RMB1.5 million, or 3.6%, from RMB44.3 million for the year ended 31 December 2018 to RMB45.8 million for the year ended 31 December 2019.

Cost of services

Our cost of services increased by approximately RMB25.4 million, or 14.6%, from approximately RMB175.1 million for the year ended 31 December 2018 to RMB200.5 million for the year ended 31 December 2019. Such increase was mainly due to (i) the expansion of our business scale for our precision advertising services; and (ii) the significant increase of the employee benefit expenses and depreciation and amortisation as a result from increase in number of employees and the relocation of our office premises during the year ended 31 December 2019.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB1.5 million, or 1.9%, from approximately RMB79.9 million for the year ended 31 December 2018 to RMB81.4 million for the year ended 31 December 2019. Our margin (in terms of RMB) for our precision advertising services increased from approximately RMB43.0 million for the year ended 31 December 2018 to RMB48.8 million for the year ended 31 December 2019, representing a growth of approximately 13.4%. Such increase was mainly attributable to our business expansion during the year ended 31 December 2019. Our margin (in terms of RMB) for our intermediary services slightly increased from approximately RMB44.3 million for the year ended 31 December 2018 to RMB45.8 million for the year ended 31 December 2019, representing a growth of approximately 3.6%. Such increase was stated in the paragraphs headed “Principal components of consolidated statements of comprehensive income – Gross profit and gross profit margin – Intermediary services” in this section.

Our gross profit margin decreased from approximately 31.3% for the year ended 31 December 2018 to 28.9% for the year ended 31 December 2019. Our margin (in terms of %) in the precision advertising services remained stable at approximately 20.4% and 20.7% for the years ended 31 December 2018 and 31 December 2019, respectively. Our margin (in terms of %) in the intermediary services decreased from approximately 10.8% for the year ended 31 December 2018 to 8.8% for the year ended 31 December 2019. Such decrease was stated in the paragraphs headed “Principal components of consolidated statements of comprehensive income – Gross profit and gross profit margin – Intermediary services” in this section.

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Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB0.9 million, or 27.8%, from approximately RMB3.2 million for the year ended 31 December 2018 to RMB4.1 million for the year ended 31 December 2019. Such increase was mainly due to the increase in the employee benefit expenses as we hired more staff for expanding our business scale for our intermediary services and precision advertising services and supporting our business growth.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB2.0 million, or 6.4%, from approximately RMB31.0 million for the year ended 31 December 2018 to RMB33.0 million for the year ended 31 December 2019. Such increase was mainly due to (i) increase in employee benefit expenses resulting from increase in number of employees in connection with the expansion of our business scale for our intermediary services and precision advertising services and our business growth; and (ii) increase in listing expenses incurred during the year ended 31 December 2019.

Other gains – net

Our other gains – net increased by approximately RMB2.0 million, or 100.0%, from nil for the year ended 31 December 2018 to approximately RMB2.0 million for the year ended 31 December 2019. Such increase was mainly due to the value-added tax refunds granted during the year ended 31 December 2019.

Finance costs – net

Our finance costs – net increased by approximately RMB214,000, from approximately RMB309,000 for the year ended 31 December 2018 to RMB523,000 for the year ended 31 December 2019. Such increase was mainly due to the increase of our interest expenses arose from (i) our lease liabilities; and (ii) loans from our Shareholders and Directors which offset by our interest income arose from our bank deposits.

Income tax expense

Our income tax expense increased by approximately RMB3.6 million, from approximately RMB2.7 million for the year ended 31 December 2018 to RMB6.3 million for the year ended 31 December 2019. Such increase was mainly due to more assessable profit generated from Huzhou Bright Future with income tax rate of 25% during the year ended 31 December 2019.

Profit for the year

Despite we recorded increase in revenue for the year ended 31 December 2019, our profit for the year decreased by approximately RMB4.0 million, or 9.3%, from approximately RMB42.4 million for the year ended 31 December 2018 to RMB38.4 million for the year ended 31 December 2019. Such decrease was mainly due to (i) the increase in employee benefit

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expenses resulting from the increase in the number of employees; (ii) the increase in depreciation and amortisation resulting from the relocation of our office premises during the year ended 31 December 2019; and (iii) the increase in the income tax expenses.

Year ended 31 December 2018 compared with year ended 31 December 2017

Revenue

Our revenue increased significantly by approximately RMB152.3 million, or 148.5%, from approximately RMB102.6 million for the year ended 31 December 2017 to approximately RMB254.9 million for the year ended 31 December 2018. Such significant increase was mainly due to an increase in our revenue generated from both precision advertising services and intermediary services as stated in the paragraphs headed “Principal components of consolidated statements of comprehensive income – Revenue” in this section.

Our revenue generated from our precision advertising services increased significantly by approximately RMB129.7 million, or 160.2%, from approximately RMB81.0 million for the year ended 31 December 2017 to RMB210.7 million for the year ended 31 December 2018. While our revenue generated from our intermediary services, recognised under net basis of revenue recognition increased significantly by approximately RMB22.7 million, or 104.8%, from approximately RMB21.6 million for the year ended 31 December 2017 to RMB44.3 million for the year ended 31 December 2018.

Cost of services

Our cost of services increased significantly by approximately RMB112.1 million, or 177.8%, from approximately RMB63.0 million for the year ended 31 December 2017 to RMB175.1 million for the year ended 31 December 2018. Such cost of services increased as a result of (i) the increase in the costs charged by our media publishers or advertising agents for our mobile advertising services; and (ii) the expansion in the business scale during the year ended 31 December 2018, which was in line with the increase in our revenue for the corresponding period.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB40.4 million, or 101.9%, from approximately RMB39.5 million for the year ended 31 December 2017 to RMB79.9 million for the year ended 31 December 2018. Our margin (in terms of RMB) for our precision advertising services increased from approximately RMB19.5 million for the year ended 31 December 2017 to RMB43.0 million for the year ended 31 December 2018, representing a growth of approximately 120.6%. And our margin (in terms of RMB) for our intermediary services increased from approximately RMB21.6 million for the year ended 31 December 2017 to RMB44.3 million for the year ended 31 December 2018, representing a growth of approximately 104.8%. Such increase was mainly due to the increment of our revenue and expanded scale of business operations during the year ended 31 December 2018.

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Our gross profit margin decreased from approximately 38.6% for the year ended 31 December 2017 to 31.3% for the year ended 31 December 2018, primarily due to the decrease in margins (in terms of %) for both our precision advertising services and our intermediary services for the year ended 31 December 2018. Our margin (in terms of %) in the precision advertising services decreased from approximately 24.1% for the year ended 31 December 2017 to 20.4% for the year ended 31 December 2018. The decline of our gross profit margin was mainly attributable to our Group's adoption of a competitive pricing strategy in order to retain, deepen and expand our relationships with the existing customers and attract new customers in light of the intensified competition in mobile advertising market.

Our margin (in terms of %) in our intermediary services decreased from approximately 15.5% for the year ended 31 December 2017 to 10.8% for the year ended 31 December 2018. For the reasons of such decrease, please refer to the paragraphs headed "Principal components of consolidated statements of comprehensive income – Gross profit and gross profit margin – Intermediary services" in this section.

Selling and distribution expenses

Our selling and distribution expenses increased significantly by approximately RMB2.7 million, or 525.4%, from approximately RMB0.5 million for the year ended 31 December 2017 to RMB3.2 million for the year ended 31 December 2018. Such significant increase was mainly due to the significant increase in the employee benefit expenses as we hired more staff for expanding our business scale for our intermediary services and precision advertising services and supporting our business growth.

General and administrative expenses

Our general and administrative expenses increased significantly by approximately RMB23.0 million, or 287.7%, from approximately RMB8.0 million for the year ended 31 December 2017 to RMB31.0 million for the year ended 31 December 2018. Such general and administrative expenses increased mainly as a result of (i) the increase in number of employees in connection with the expansion of our business scale for our intermediary services and precision advertising services and our business growth; (ii) the share-based payment expenses; and (iii) listing expenses incurred during the year ended 31 December 2018.

Finance costs – net

Our finance costs – net increased by approximately RMB203,000, from approximately RMB106,000 for the year ended 31 December 2017 to RMB309,000 for the year ended 31 December 2018. Such increase was mainly due to the increase of our interest expenses arose from (i) our lease liabilities; and (ii) loans from our Shareholders and Directors which offset by our interest income arose from our bank deposits.

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Income tax expense

Our income tax expense increased from nil for the year ended 31 December 2017 to approximately RMB2.7 million for the year ended 31 December 2018, which mainly resulted from the enjoyment of 50% tax reduction by Shenzhen Bright Future for the year ended 31 December 2018 by compared to the enjoyment of income tax exemption by Shenzhen Bright Future for the year ended 31 December 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB11.5 million, or 37.3%, from approximately RMB30.9 million for the year ended 31 December 2017 to RMB42.4 million for the year ended 31 December 2018.

NON-HKFRS MEASURES

To supplement our consolidated financial information which are presented in accordance with HKFRSs, we also use a non-HKFRS measures, adjusted net profit, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measures facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management considers non-indicative of our operating performance.

We define adjusted net profit by adding back listing expenses and share-based payment expenses to profit for the year/period. During the Track Record Period, our listing expenses referred to expenses we incurred in connection with the Share Offer, while our share-based payment expenses referred to the expenses arising from the Pre-IPO Investments. We believe that these measures provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help the management of our business.

The following table reconciles our adjusted net profit presented to the most directly comparable financial measures calculated and presented in accordance with HKFRSs:

	For the year ended 31 December			For the four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period	30,860	42,386	38,434	8,811	24,276
Add:					
Listing expenses	–	8,033	11,084	3,241	4,036
Share-based payment expenses	–	3,430	1,430	1,430	–
Adjusted net profit	30,860	53,849	50,948	13,482	28,312

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Despite that we recorded an increase in gross profit from approximately RMB79.9 million for the year ended 31 December 2018 to RMB81.4 million for the year ended 31 December 2019, the decrease in our adjusted net profit by approximately RMB2.9 million for the year ended 31 December 2019 was mainly due to (i) an increase in employee benefit expenses resulting from the increase in the number of our employees; (ii) an increase in depreciation resulting from the relocation of our office premises in 2019; and (iii) an increase in the income tax expense. For the four months ended 30 April 2020, our adjusted net profit was approximately RMB28.3 million, compared to that of approximately RMB13.5 million for the corresponding period in 2019. Such increase was in line with the increase in our revenue and gross profit during the four months ended 30 April 2020.

LIQUIDITY AND CAPITAL STRUCTURE

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally through funds generated internally, loans from our Shareholders and Directors and capital contribution of Shareholders. We obtained our first bank loan in December 2019. We entered into three business factoring agreements to transfer our trade receivables to a commercial bank in the PRC. Our use of cash is mainly for working capital and capital expenditures on our property, plant and equipment. We manage our liquidity position by (i) monitoring the amount of prepayments made to our media publishers in our ERP system on a daily basis; and (ii) monitoring the cash balances in our banks on a daily basis. In the event that we foresee our cash position is inadequate to make prepayments to our media publishers, we will explore the possibility of making alternative payment arrangements with our media publishers, including payments by installments. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

As at 31 December 2017, 2018 and 2019, and 30 April 2020, we had cash and cash equivalents of approximately RMB9.0 million, RMB12.2 million, RMB23.8 million and RMB12.6 million, respectively, which the net cash used in operating activities of approximately RMB0.6 million, RMB12.2 million and RMB15.1 million for the years ended 31 December 2018 and 2019 and the four months ended 30 April 2020, respectively. The net cash used in operating activities for the year ended 31 December 2019 and the four months ended 30 April 2020 was mainly due to the increase in our trade receivables mainly attributable to (i) increase in gross revenue along with our business expansion; (ii) slower settlements of trade receivables from our customers; and (iii) our trade receivables turnover days increased from approximately 64.2 days for the year ended 31 December 2018 to 92.6 days for the year ended 31 December 2019 and 90.6 days for the four months ended 30 April 2020. In order to manage our operating cash flows going forward, we have adopted monitoring procedures to ensure that follow-up action is taken to recover overdue debts, and we will negotiate credit period with our customers on the collection terms if applicable.

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Capital and liquidity management policy

Given that (i) our trade receivables turnover days increased from 64.2 days for the year ended 31 December 2018 to 92.6 days for the year ended 31 December 2019 which was mainly due to slower settlements from some of our top customers; and (ii) we recorded negative operating cash flow for the year ended 31 December 2018, 31 December 2019 and the four months ended 30 April 2020 which was mainly due to increase in our trade receivables, we aim to improve our liquidity position by adopting more stringent policies and procedures to manage our capital and liquidity position going forward, including conducting:

- (i) credit assessments on our new customers, such as their background, reputation and financials, upon customer acceptance;
- (ii) regular reviews on the credibility of our customers by our finance department;
- (iii) monthly reviews on the aging of our trade receivables by our senior management; and
- (iv) follow-up actions on the overdue trade receivables including (a) actively communicating with customers on the settlement dates; (b) updating their results of credit assessment if there are material changes on their operations or credit worthiness; (c) making adequate provisions for those irrecoverable amounts; and (d) taking appropriate legal actions if necessary.

Cash flows

The following table sets forth a summary of our Group's cash flows for the years indicated:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
<i>Cash flows from operating activities</i>				
Operating cash flow before changes in working capital	31,794	50,154	50,381	27,827
Changes in working capital	(28,683)	(50,625)	(59,732)	(42,505)
Interest received	8	29	40	16
Income taxes paid	—	(202)	(2,897)	(435)

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	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from/(used in)				
operating activities	3,119	(644)	(12,208)	(15,097)
Net cash used in investing activities	(420)	(234)	(1,404)	(20)
Net cash generated from financing activities	5,017	4,097	25,139	3,880
Net increase/(decrease) in cash and cash equivalents	7,716	3,219	11,527	(11,237)
Cash and cash equivalents as at beginning of year	1,279	8,995	12,182	23,805
Effect of exchange rate changes	–	(32)	96	1
Cash and cash equivalents as at end of year/period	8,995	12,182	23,805	12,569

Net cash (used in)/generated from operating activities

For the four months ended 30 April 2020, net cash used in operating activities was approximately RMB15.1 million, it was mainly due to the increase in our trade receivables of approximately 24.1% as at 30 April 2020. The net cash outflow was primarily attributable to our profit before income tax of approximately RMB26.7 million, as adjusted by (i) the add-back of non-cash items, principally comprising depreciation and amortisation of approximately RMB0.6 million in total; and (ii) changes in working capital, principally comprising (a) an increase in trade receivables of approximately RMB54.1 million; (b) an increase in deposits, prepayments and other receivables of approximately RMB2.1 million; (c) an increase in trade payables of approximately RMB21.6 million; and (d) a decrease in contract liabilities of approximately RMB8.2 million.

For the year ended 31 December 2019, net cash used in operating activities was approximately RMB12.2 million, it was mainly due to the increase in our trade receivables of approximately 37.8% as at 31 December 2019. The net cash outflow was primarily attributable to our profit before income tax of approximately RMB44.7 million, as adjusted by (i) the add-back of non-cash items, principally comprising depreciation and amortisation of approximately RMB2.4 million in total; (ii) share-based payment expenses of approximately RMB1.4 million; and (iii) changes in working capital, principally comprising (a) an increase in trade receivables of approximately RMB62.4 million; (b) an increase in deposits, prepayments and other receivables of approximately RMB11.0 million; (c) an increase in trade payables of approximately RMB5.1 million; and (d) an increase in contract liabilities of approximately RMB0.9 million.

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For the year ended 31 December 2018, net cash used in operating activities was approximately RMB0.6 million, it was mainly due to the expenses of approximately RMB8.0 million, prepayments of approximately RMB0.3 million and accruals of approximately RMB6.3 million which were incurred from Listing during the year ended 31 December 2018. The net cash outflow was primarily attributable to our profit before income tax of approximately RMB45.1 million, as adjusted by (i) the add-back of non-cash items, principally comprising depreciation and amortisation of approximately RMB1.0 million in total; (ii) share-based payment expenses of approximately RMB3.4 million; and (iii) changes in working capital, principally comprising (a) an increase in trade receivables of approximately RMB106.4 million; (b) an increase in deposits, prepayments and other receivables of approximately RMB51.2 million; (c) an increase in trade payables of approximately RMB79.0 million; (d) an increase in contract liabilities of approximately RMB13.4 million; and (e) an increase in other payables and accruals of approximately RMB14.6 million.

For the year ended 31 December 2017, net cash generated from operating activities was approximately RMB3.1 million. This net cash inflow was primarily attributable to our profit before income tax of approximately RMB30.9 million, as adjusted by (i) the add-back of non-cash items, principally comprising depreciation and amortisation of approximately RMB0.7 million in total; and (ii) changes in working capital, principally comprising (a) an increase in trade receivables of approximately RMB49.5 million; (b) an increase in deposits, prepayments and other receivables of approximately RMB18.0 million; (c) an increase in trade payables of approximately RMB26.4 million; (d) an increase in contract liabilities of approximately RMB9.6 million; and (e) an increase in other payables and accruals of approximately RMB2.8 million.

Net cash generated from/(used in) investing activities

For the four months ended 30 April 2020, net cash used in investing activities was approximately RMB20,000, which was due to the payments for property, plant and equipment.

For the year ended 31 December 2019, net cash used in investing activities was approximately RMB1.4 million, which was mainly due to the payments for property, plant and equipment.

For the year ended 31 December 2018, net cash used in investing activities was approximately RMB234,000, which was due to the payments for property, plant and equipment.

For the year ended 31 December 2017, net cash used in investing activities was approximately RMB420,000, which was due to the payments for property, plant and equipment.

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Net cash generated from financing activities

For the four months ended 30 April 2020, net cash generated from financing activities was approximately RMB3.9 million, which was due to proceeds from borrowings of approximately RMB5.7 million, partially offset by (i) repayment of borrowings of approximately RMB1.3 million; and (ii) the lease payments (including interest paid) of approximately RMB0.5 million.

For the year ended 31 December 2019, net cash generated from financing activities was approximately RMB25.1 million, which was due to (i) capital contribution from Shareholders of the Company of approximately RMB6.0 million; and (ii) proceeds from borrowings of approximately RMB35.7 million, partially offset by (i) repayment of borrowings of approximately RMB14.5 million; and (ii) the lease payments (including interest paid) of approximately RMB2.2 million.

For the year ended 31 December 2018, net cash generated from financing activities was approximately RMB4.1 million, which was due to (i) the capital contribution from Shareholders' interest-free loans of approximately RMB355,000; (ii) capital contribution from Shareholders of the Company of approximately RMB30.7 million; and (iii) proceeds from borrowings of approximately RMB3.9 million, partially offset by (i) deemed distributions to the Shareholders of the Company of approximately RMB30.1 million; and (ii) the lease payments (including interest paid) of approximately RMB773,000.

For the year ended 31 December 2017, net cash generated from financing activities was approximately RMB5.0 million, which was due to (i) the capital contribution from the Controlling Shareholders of RMB2.0 million; (ii) capital contribution from Shareholders' interest-free loans of approximately RMB449,000; and (iii) proceeds from borrowings of approximately RMB4.6 million, partially offset by (i) the repayment of borrowings of RMB1.5 million; and (ii) the lease payments (including interest paid) of RMB559,000.

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DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of the consolidated statements of financial position of our Group as at 31 December 2017, 2018 and 2019, 30 April 2020 and 31 August 2020:

	As at 31 December			As at	As at
	2017	2018	2019	30 April	31 August
	RMB'000	RMB'000	RMB'000	2020	2020
				RMB'000	RMB'000
					(unaudited)
Current assets					
Trade receivables	56,013	162,066	223,379	277,117	241,618
Deposits, prepayments and other receivables	19,651	70,975	82,356	84,298	84,825
Financial assets at fair value through profit or loss ("FVPL")	–	–	204	207	208
Cash and cash equivalents	8,995	12,182	23,805	12,569	42,500
Total current assets	<u>84,659</u>	<u>245,223</u>	<u>329,744</u>	<u>374,191</u>	<u>369,151</u>
Current liabilities					
Borrowings	–	5,157	30,501	35,114	30,942
Trade payables	31,467	110,453	115,551	137,114	124,550
Other payables and accruals	3,527	18,099	25,786	26,051	28,179
Contract liabilities	10,320	23,717	24,631	16,382	12,248
Lease liabilities	421	1,236	1,815	1,807	1,799
Current income tax liabilities	–	2,488	7,921	9,668	8,485
Total current liabilities	<u>45,735</u>	<u>161,150</u>	<u>206,205</u>	<u>226,136</u>	<u>206,203</u>
Net current assets	<u>38,924</u>	<u>84,073</u>	<u>123,539</u>	<u>148,055</u>	<u>162,948</u>

Our net current assets increased from approximately RMB123.5 million as at 31 December 2019 to RMB148.1 million as at 30 April 2020, primarily due to (i) an increase in trade receivables of approximately RMB53.7 million; and (ii) an increase in deposits, prepayments and other receivables of approximately RMB1.9 million, which was partly offset by (a) an increase in trade payables of approximately RMB21.6 million; and (b) a decrease in contract liabilities of approximately RMB8.2 million.

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Our net current assets increased from approximately RMB84.1 million as at 31 December 2018 to RMB123.5 million as at 31 December 2019, primarily due to (i) an increase in trade receivables of approximately RMB61.3 million; and (ii) an increase in deposits, prepayments and other receivables of approximately RMB11.4 million, which was partly offset by (a) an increase in borrowings of approximately RMB25.3 million; (b) an increase in trade payables of approximately RMB5.1 million; and (c) an increase in other payables and accruals of approximately RMB7.7 million.

Our net current assets increased from approximately RMB38.9 million as at 31 December 2017 to RMB84.1 million as at 31 December 2018, primarily due to (i) an increase in trade receivables of approximately RMB106.1 million; and (ii) an increase in deposits, prepayments and other receivables of approximately RMB51.3 million, which was partly offset by (a) an increase in borrowings of approximately RMB5.2 million; (b) an increase in trade payables of approximately RMB79.0 million; and (c) an increase in other payables and accruals of approximately RMB14.6 million.

Trade receivables

Our trade receivables consisted of (i) trade receivables; and (ii) allowance for doubtful debts which represents amounts due from our customers. Our trade receivables are classified as current asset as they are expected to be collectable within a year. We normally allow our customers a credit period of 30 to 150 days, where over 95% of our trade receivables balances had a credit period of less than 90 days during the Track Record Period. Our Directors considered the credit periods we granted to our customers are in line with the industry practice. The following table sets out the breakdown of trade receivables as at the respective dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Trade receivables	56,093	162,459	224,858	278,919
Less: Allowance for doubtful debts	(80)	(393)	(1,479)	(1,802)
	<u>56,013</u>	<u>162,066</u>	<u>223,379</u>	<u>277,117</u>

Our trade receivables increased from approximately RMB56.0 million as at 31 December 2017 to RMB162.1 million as at 31 December 2018 and further increased to RMB223.4 million and RMB277.1 million as at 31 December 2019 and 30 April 2020, respectively, which was mainly due to (i) expansion in the business scale during the Track Record Period, and thus led to an increase in our gross revenue and trade receivables; and (ii) slower settlements of trade receivables from our customers.

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The following table sets forth the turnover days of our trade receivables (assuming all of the revenue are based on gross basis of revenue recognition) for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
	Days	Days	Days	Days
Trade receivables turnover days ⁽¹⁾	51.9	64.2	92.6	90.6

(1): Trade receivables turnover days for the relevant periods equals the average of the beginning and ending balance of trade receivables divided by revenue based on gross basis of revenue recognition for the relevant periods, multiplied by 365 days for the three years ended 31 December 2019 and multiplied by 121 days for the four months ended 30 April 2020.

Our trade receivables turnover days increased from 51.9 days for the year ended 31 December 2017 to 64.2 days for the year ended 31 December 2018, further increased to 92.6 days for the year ended 31 December 2019 and 90.6 days for the four months ended 30 April 2020, mainly due to the slower settlements from our top customers, namely Customer B and Customer F, representing approximately 54.7% and 68.1% of our total trade receivables as at 31 December 2019 and 30 April 2020, respectively. Such slower settlements, particularly in 2019 and 2020, were primarily due to the prolonged internal approval processes adopted by these customers in settling our invoices. As at 31 August 2020, approximately 95.8% of the corresponding trade receivables from Customer B and Customer F as at 30 April 2020 had been settled.

An aging analysis of the trade receivables (before allowance for doubtful debts) based on the date of recognition at the end of each financial years are presented as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	53,052	126,155	160,866	199,498
3 to 6 months	1,868	13,241	47,120	51,149
6 months to 1 year	1,173	22,792	11,417	23,785
1 to 2 years	–	271	5,236	3,576
Over 2 years	–	–	219	911
	<u>56,093</u>	<u>162,459</u>	<u>224,858</u>	<u>278,919</u>

As at 31 August 2020, approximately RMB255.5 million, or 91.6%, of our trade receivables (before allowance for doubtful debts) as at 30 April 2020 had been settled.

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Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables mainly consisted of (i) prepayments of advertising traffic costs to our media publishers and advertising agents; and (ii) rental and other deposits. The following table sets out the breakdown of deposits, prepayments and other receivables as at the respective dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Prepayments to media publishers and advertising agents	18,387	67,436	67,203	67,602
Rental and other deposits	913	754	1,796	784
Prepaid listing expenses	–	309	6,031	7,387
Others ⁽¹⁾	351	2,476	7,326	8,525
	<u>19,651</u>	<u>70,975</u>	<u>82,356</u>	<u>84,298</u>

(1): Others mainly consisted of recoverable value-added tax.

Our deposits, prepayments and other receivables increased from approximately RMB19.7 million as at 31 December 2017 to RMB71.0 million as at 31 December 2018, and further increased to RMB82.4 million as at 31 December 2019 and RMB84.3 million as at 30 April 2020, primarily due to the significant increase in the placement of the advertisements to our media publishers and advertising agents on behalf of our customers, which required prepayments to be made to our media publishers and advertising agents, and such increase reflected in the rapid growth of our revenue (based on gross basis of revenue recognition).

The following table sets forth the turnover days of our prepayments to media publishers and advertising agents (assuming all the revenue are recorded on a gross basis) for the periods indicated:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	Days	Days	Days	2020
				Days
Prepayments turnover days ⁽¹⁾	<u>26.0</u>	<u>38.3</u>	<u>46.9</u>	<u>33.7</u>

(1): Prepayments turnover days for the relevant periods equals the average of the beginning and ending balance of prepayments to media publishers and advertising agents divided by gross revenue of intermediary service (based on gross basis of revenue recognition) for the relevant periods, multiplied by 365 days for the three years ended 31 December 2019 and multiplied by 121 days for the four months ended 30 April 2020.

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Our prepayments turnover days increased from approximately 26.0 days for the year ended 31 December 2017 to 38.3 days for the year ended 31 December 2018 and further increased to 46.9 days for the year ended 31 December 2019 then decreased to 33.7 days for the four months ended 30 April 2020. Such fluctuation was mainly due to the change in transaction amounts of our intermediary services which requires prepayments and such amounts accounted for approximately 64.5%, 77.7%, 94.1% and 80.5% of our total gross revenue generated from the intermediary services for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. With the development of our business scale and the expansion of our supplier mix, we were able to establish business relationships with increasing number of customers including some leading and popular conglomerates in China, who require us to make prepayments in advance for the provision of our intermediary services. As a result, there was an increase in proportion of prepayments for our intermediary services, causing the increase in our prepayments turnover days during the three years ended 31 December 2019. During the four months ended 30 April 2020, one of our media publishers, namely Media Publisher E, allowed us to purchase a portion of its virtual tokens on credit instead of making prepayments in full, which led to a decrease in prepayments for our gross revenue generated from the intermediary services as at 30 April 2020 and resulted in the decrease in our prepayments turnover days for the four months ended 30 April 2020.

Set out below is an aging analysis of our prepayments to media publishers and advertising agents based on the date of recognition as at the end of each financial years/period:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Aging				
Up to 3 months	11,531	36,453	48,596	49,604
3 to 6 months	3,519	16,496	5,691	5,922
6 months to 1 year	2,508	6,880	5,743	6,438
Over 1 year	829	7,607	7,173	5,638
	<u>18,387</u>	<u>67,436</u>	<u>67,203</u>	<u>67,602</u>

We had outstanding balances of prepayments to media publishers and advertising agents aged over three months during the Track Record Period. During the course of our operations, we purchase designated virtual tokens in advance based on the budget of each advertisement order. As majority of the advertisements in our intermediary services are generally charged based on CPC and CPD, the actual numbers of virtual tokens consumed are only ascertained after publication of the advertisements, which may result in unused virtual tokens. The unused virtual tokens are generally refundable in cash upon our request and the corresponding prepayments to media publishers would be cleared up when the completion of advertisements is affirmative. In addition, we occasionally made more prepayments for virtual tokens of media publishers which we frequently used and for repeat customers engaging us for their different advertisements. Therefore, unused balances of virtual tokens existed which resulted in aged prepayments to media publishers and advertising agents as at 31 December 2017, 2018 and 2019 and 30 April 2020.

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As at 31 August 2020, approximately 99.8%, 99.8%, 99.2% and 90.8% of the total prepayments to media publishers and advertising agents as at 31 December 2017, 2018, 2019 and 30 April 2020 was settled, respectively. Therefore, our Directors believe that there is no material recoverability risk inherent in our outstanding balance of prepayments to media publishers and advertising agents as at 30 April 2020.

As at 31 August 2020, approximately RMB59.0 million, or 70.0%, of our deposits, prepayments and other receivables as at 30 April 2020 had been settled.

Trade payables

Our trade payables represent amounts due to our third party suppliers. Our trade payables are classified as current liabilities as they are expected to be payable within a year.

Our trade payables increased significantly from approximately RMB31.5 million as at 31 December 2017 to RMB110.5 million as at 31 December 2018 and further increased to RMB115.6 million and RMB137.1 million as at 31 December 2019 and 30 April 2020 respectively, which was mainly due to an significant increase in the placement of the advertisements to our media publishers and advertising agents on behalf of our customers, which reflected in the expansion in the business scale during the Track Record Period.

The following table sets forth the turnover days of our trade payables (assuming all of the costs which directly related to our revenue are based on gross basis of revenue recognition) for the years indicated:

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
	Days	Days	Days	Days
Trade payables turnover days ⁽¹⁾	36.9	48.0	60.8	52.0

(1): Trade payables turnover days for the relevant periods equals the average of the beginning and ending balance of trade payables for the years divided by cost of services which directly related to our revenue based on gross basis of revenue recognition for the relevant periods, multiplied by 365 days for the three years ended 31 December 2019 and multiplied by 121 days for the four months ended 30 April 2020.

Our trade payables turnover days increased from 36.9 days for the year ended 31 December 2017 to 48.0 days for the year ended 31 December 2018, and increased to 60.8 days for the year ended 31 December 2019, mainly due to the better payment schedules from our suppliers during the years ended 31 December 2018 and 2019. Our trade payables turnover days decreased from approximately 60.8 days for the year ended 31 December 2019 to 52.0 days for the four months ended 30 April 2020. Such decrease was mainly due to the strong growth of our intermediary services than precision advertising services during the four months ended 30 April 2020, in which most of our intermediary services are made in prepayments instead of trade payables.

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An aging analysis of the trade payables presented based on the date of recognition at the end of each financial year are presented as follows:

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Up to 3 months	26,664	61,380	61,374	53,337
3 to 6 months	3,593	30,382	28,789	34,541
Over 6 months	1,210	18,691	25,388	49,236
	<u>31,467</u>	<u>110,453</u>	<u>115,551</u>	<u>137,114</u>

As at 31 August 2020, approximately RMB46.2 million, or 33.7%, of our trade payables as at 30 April 2020 had been settled.

Other payables and accruals

Our other payables and accruals mainly consisted of (i) accrued staff costs; (ii) accrued listing expenses; (iii) accrued consultancy fees; (iv) value-added tax and surcharge; and (v) deferred government grant. The following table sets out the breakdown of other payables and accruals as at the respective dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Accrued staff costs	2,518	8,592	10,105	7,625
Deferred government grant	–	–	6,000	6,000
Accrued listing expenses	–	6,254	8,448	11,982
Accrued consultancy fees	–	2,057	–	–
Value-added tax and surcharge	522	798	229	61
Others	487	398	1,004	383
	<u>3,527</u>	<u>18,099</u>	<u>25,786</u>	<u>26,051</u>

Our other payables and accruals increased from approximately RMB3.5 million as at 31 December 2017 to approximately RMB18.1 million as at 31 December 2018, and further increased to approximately RMB25.8 million and RMB26.1 million as at 31 December 2019 and 30 April 2020, respectively, which was primarily due to the increase in (i) number of employees to cater the expansion of our business scale for our intermediary services and precision advertising services during the Track Record Period in connection with our business growth; and (ii) accrued listing expenses as at 31 December 2018 and 2019 and 30 April 2020, respectively. As at 31 August 2020, approximately RMB3.4 million, or 12.9%, of our other payables and accruals as at 30 April 2020 had been settled.

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Contract liabilities

Contract liabilities represents the advance payments from our customers. As at 31 December 2017, 2018 and 2019, and 30 April 2020, our contract liabilities amounted to approximately RMB10.3 million, RMB23.7 million, RMB24.6 million and RMB16.4 million, respectively. The fluctuations of the contract liabilities depend on the timing of advance payments from our customers and the commencement of the advertisement placements. The fluctuations during the Track Record Period, particularly the increase in balance during the three years ended 31 December 2019, was due to the increase in the number of customers and our business expansion which reflected in the increment of our revenue (based on gross basis of revenue recognition) during the Track Record Period. As at 31 August 2020, approximately RMB8.1 million, or 49.3%, of our contract liabilities as at 30 April 2020 had been settled.

INDEBTEDNESS AND CONTINGENT LIABILITIES

(a) Indebtedness

As at 31 December 2017, 2018 and 2019, and 30 April 2020, we had total indebtedness of approximately RMB5.1 million, RMB10.8 million, RMB34.9 million and RMB38.9 million, respectively. As at 31 August 2020 (being the latest practicable date for determining the indebtedness), we had total indebtedness amounting to RMB34.1 million comprising (i) amounts due to Shareholders and key management personnel of approximately RMB25.3 million, (ii) unsecured and guaranteed bank borrowings of approximately RMB5.6 million, and (iii) lease liabilities of approximately RMB3.2 million.

The following table sets out those companies' borrowings as at the dates indicated:

	As at 31 December			As at	As at
	2017	2018	2019	30 April	31 August
	RMB'000	RMB'000	RMB'000	2020	2020
				RMB'000	RMB'000
					(unaudited)
Unsecured loans from Shareholders and key management personnel					
– Current	–	5,157	22,501	28,314	25,342
– Non-current	4,672	3,709	–	–	–
Unsecured and guaranteed bank borrowings					
– Current	–	–	8,000	6,800	5,600
Lease liabilities					
– Current	421	1,236	1,815	1,807	1,799
– Non-current	–	716	2,537	1,954	1,357
	<u>5,093</u>	<u>10,818</u>	<u>34,853</u>	<u>38,875</u>	<u>34,098</u>

The unsecured loans from Shareholders and key management personnel were interest-free, unsecured and repayable within one year, and will be settled before the Listing.

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The interest rate of the unsecured and guaranteed bank borrowings was 5.5% per annum and the bank borrowings were guaranteed by Mr. Dong, Mr. Yang and an independent third party and repayable within one year. The guarantees provided by Mr. Dong and Mr. Yang were released and replaced by corporate guarantee of our Group in August 2020.

There were no banking facilities as at 31 August 2020.

(b) Contingent liabilities

As at 31 December 2017, 2018 and 2019, 30 April 2020 and 31 August 2020, our Group had no material contingent liabilities.

Save as indebtedness disclosed in this sub-section and apart from normal trade and other payables, intra-group liabilities and tax payable, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdraft, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since 31 August 2020 and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangement.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period mainly consisted of expenditures on property, plant and equipment. The following table sets forth our capital expenditures during the Track Record Period indicated:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Property, plant and equipment	420	2,486	6,644	20

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COMMITMENTS

Capital commitments

We did not have any material capital commitments as at 31 December 2017, 2018 and 2019, and 30 April 2020.

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our related party transactions during the Track Record Period:

(i) **Key management personnel compensation**

	For the year ended 31 December			For the four months ended 30 April
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages, and bonuses	676	1,695	1,817	526
Pension costs – defined contribution plans	106	156	104	11
Other social security costs, housing benefits and other employee benefits	152	255	127	35
	<u>934</u>	<u>2,106</u>	<u>2,048</u>	<u>572</u>

The expenses listed above were related to the employee benefit expenses of our executive Directors and key management personnel.

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(ii) Interest expenses accretion

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
City Energy	–	–	94	55
Mr. Yang	41	189	162	–
Mr. Dong	13	97	140	–
Ms. Gao	11	–	–	–
	<u>65</u>	<u>286</u>	<u>396</u>	<u>55</u>

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			As at/for the four months ended
	2017	2018	2019	30 April
				2020
Gross profit margin ⁽¹⁾	38.6%	31.3%	28.9%	34.7%
Net profit margin ⁽²⁾	30.1%	16.6%	13.6%	21.1%
Adjusted net profit margin (Non-HKFRS measure) ⁽³⁾	30.1%	21.1%	18.1%	24.6%
Prepayment turnover ratio ⁽⁴⁾	14.0 times	9.5 times	7.8 times	10.9 times ⁽⁸⁾
Current ratio ⁽⁵⁾	1.9 times	1.5 times	1.6 times	1.7 times
Return on equity ⁽⁶⁾	85.4%	51.1%	29.8%	47.9% ⁽⁸⁾
Return on total assets ⁽⁷⁾	35.7%	17.1%	11.4%	19.3% ⁽⁸⁾

Notes:

- (1): Gross profit margin was calculated based on the gross profit for the year/period divided by revenue for the respective year/period and multiplied by 100%.
- (2): Net profit margin was calculated based on the profit for the year/period divided by revenue for the respective year/period and multiplied by 100%.
- (3): Adjusted net profit margin, which is a non-HKFRS measure, was calculated based on the adjusted net profit as defined under the section headed “Financial information – Non-HKFRS measures” of this prospectus divided by revenue for the respective year/period and multiplied by 100%.
- (4): Prepayment turnover ratio was calculated based on the revenue of intermediary service (based on gross basis of revenue recognition) divided by the average of the beginning and ending balance of prepayments to media publishers and advertising agents for the respective year/period.

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- (5): Current ratio was calculated based on the total current assets divided by the total current liabilities as at the end of the respective year/period.
- (6): Return on equity was calculated based on the profit for the year/period divided by the total equity as at the end of the respective year/period and multiplied by 100%.
- (7): Return on total assets was calculated based on the profit for the year/period divided by the total assets as at the end of the respective year/period and multiplied by 100%.
- (8): Calculated on an annualised basis divided by 121 and multiplied by 366.

Gross profit margin

Please refer to the paragraphs headed “Period-to-period comparison of results of operations – Four months ended 30 April 2020 compared with four months ended 30 April 2019 – Gross profit and gross profit margin”, “Period-to-period comparison of results of operations – Year ended 31 December 2019 compared with year ended 31 December 2018 – Gross profit and gross profit margin” and “Period-to-period comparison of results of operations – Year ended 31 December 2018 compared with year ended 31 December 2017 – Gross profit and gross profit margin” in this section for a discussion of the factors affecting our results of operations during the respective periods.

Net profit margin

Our net profit margin decreased from approximately 30.1% for the year ended 31 December 2017 to 16.6% for the year ended 31 December 2018. The decrease was mainly attributable to the decrease of the gross profit margin for the year ended 31 December 2018 and the increase in general and administrative expenses, which in turn was primarily due to (i) the listing expenses; (ii) the share-based payment expenses; and (iii) the increase in employee benefit expenses as a result of the increase in number of employees during the year ended 31 December 2018.

While our net profit margin decreased from approximately 16.6% for the year ended 31 December 2018 to 13.6% for the year ended 31 December 2019. Such decrease was mainly attributable to the increase in general and administrative expenses, which in turn was primarily due to (i) the listing expenses; (ii) the increase in employee benefit expenses as a result of the increase in number of employees; (iii) increase in depreciation and amortisation as a result of the relocation of our office premises during the year ended 31 December 2019; and (iv) increase in the income tax expense.

Our net profit margin increased from approximately 11.4% for the four months ended 30 April 2019 to approximately 21.1% for the four months ended 30 April 2020. The increase was mainly due to the significant increase in our gross profit mainly generated from our intermediary services for the four months ended 30 April 2020.

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Adjusted net profit margin

Our adjusted net profit margin, which is a non-HKFRS measure, decreased from approximately 30.1% for the year ended 31 December 2017 to 21.1% for the year ended 31 December 2018. The decrease was mainly attributable to the decrease of the gross profit margin for the year ended 31 December 2018 and the increase in general and administrative expenses, which in turn was primarily due to the increase in employee benefit expenses as a result of the increase in number of employees during the year ended 31 December 2018.

While our adjusted net profit margin, which is a non-HKFRS measure, decreased from approximately 21.1% for the year ended 31 December 2018 to 18.1% for the year ended 31 December 2019. Such decrease was mainly attributable to the increase in general and administrative expenses, which in turn was primarily due to (i) the increase in employee benefit expenses as a result of the increase in number of employees; (ii) increase in depreciation and amortisation as a result of the relocation of our office premises; and (iii) increase in income tax expense during the year ended 31 December 2019.

Our adjusted net profit margin, which is a non-HKFRS measure, increased from approximately 17.5% for the four months ended 30 April 2019 to approximately 24.6% for the four months ended 30 April 2020. The increase was mainly attributable to the significant increase in our gross profit mainly generated from our intermediary services for the four months ended 30 April 2020.

Prepayment turnover ratio

Our prepayment turnover ratio decreased from approximately 14.0 times for the year ended 31 December 2017 to 9.5 times for the year ended 31 December 2018 and further decreased to 7.8 times for the year ended 31 December 2019 and increased to 10.9 times for the four months ended 30 April 2020, respectively. Such fluctuation was mainly due to the change in transaction amounts of our intermediary services which requires prepayments and such amounts accounted for 64.5%, 77.7%, 94.1% and 80.5% of our total gross revenue generated from the intermediary services for the three years ended 31 December 2019 and the four months ended 30 April 2020, respectively. With the development of our business scale and the expansion of our supplier mix, we were able to establish business relationships with increasing number of customers including some leading and popular conglomerates in China, which require us to make prepayments in advance for the provision of our intermediary services. As a result, there was an increase in proportion of prepayments for our intermediary services, causing the decrease in our prepayment turnover ratio during the three years ended 31 December 2019. During the four months ended 30 April 2020, one of our media publishers, namely Media Publisher E, allowed us to purchase a portion of its virtual tokens on credit instead of making prepayments in full, which led to a decrease in prepayments for our intermediary services as at 30 April 2020 and resulted in the increase in our prepayment turnover ratio for the four months ended 30 April 2020.

Current ratio

Our current ratio decreased from approximately 1.9 times as at 31 December 2017 to 1.5 times as at 31 December 2018, primarily due to the increase in our costs charged by our newly engaged suppliers for the year ended 31 December 2018, which lead to the significant increase in our trade payables.

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While our current ratio remained relatively stable at approximately 1.5 times, 1.6 times and 1.7 times as at 31 December 2018 and 2019, and 30 April 2020, respectively.

Return on equity

Our return on equity decreased from approximately 85.4% for the year ended 31 December 2017 to approximately 51.1% for the year ended 31 December 2018. The decrease was mainly attributable to the enhancement of our total equity as a result of the accumulation of profit recorded by us and such increase outpaced the increase in net profit for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

While the return on equity decreased from approximately 51.1% for the year ended 31 December 2018 to approximately 29.8% for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in the net profit for the year ended 31 December 2019 and the increase in total equity resulting from the accumulation of retained earnings for the period.

The annualised return on equity for the four months ended 30 April 2020 was approximately 47.9%. The increase in return on equity from approximately 29.8% for the year ended 31 December 2019 to the annualised return on equity of 47.9% for the four months ended 30 April 2020 was mainly attributable to the increase in annualised net profit for the four months ended 30 April 2020.

Return on total assets

Our return on total assets decreased from approximately 35.7% for the year ended 31 December 2017 to approximately 17.1% for the year ended 31 December 2018. The decrease was mainly attributable to the improvement in asset base and cash position mainly due to the accumulation of profit generated from our operation and the increase in trade receivables due to the expansion in our business scale, and such increase outpaced the increase in net profit for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

While the return on total assets decreased from approximately 17.1% for the year ended 31 December 2018 to approximately 11.4% for the year ended 31 December 2019. The decrease was mainly attributable to (i) the decrease in net profit for the year ended 31 December 2019; and (ii) the increase in asset base due to the increase in balance of trade receivables for our operation.

The annualised return on total assets for the four months ended 30 April 2020 was approximately 19.3%. The increase in return on total assets from approximately 11.4% for the year ended 31 December 2019 to the annualised return on total assets of 19.3% for the four months ended 30 April 2020 was mainly attributable to the increase in annualised net profit for the four months ended 30 April 2020.

FINANCIAL RISK DISCLOSURE

Our activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Risk management is carried out by our members of senior management and approved by the Board. For reference, please see note 3 of the Accountant's Report in Appendix I to this prospectus.

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(a) Market risk

(i) Foreign exchange risk

Instrument used by us

We are exposed to foreign exchange risk, primarily the HKD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The foreign currency exposure has not been hedged.

Exposure

Our exposure to foreign currency risk at the end of each of the reporting period, expressed in RMB, was as follows:

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Cash	–	640	115	112
Other payables and accruals	–	5,508	7,570	5,846
Borrowings	–	263	3,501	3,614

Sensitivity

We are primarily exposed to changes in HKD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from HKD denominated cash and payables.

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
HKD/RMB exchange rate				
– increase (10%)	–	(513)	(1,096)	(935)
HKD/RMB exchange rate				
– decrease (10%)	–	513	1,096	935

Our exposure to other foreign exchange movements is not material.

(ii) Fair value interest rate risk

We have no significant interest-bearing assets and liabilities. Therefore, we do not anticipate there is any significant impact resulted from the changes in interest rates.

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(b) Credit risk

We are exposed to credit risk primarily in relation to our cash and equivalents placed with banks, trade and other receivables, as well as FVPL. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations

We apply the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the loss allowance provision for trade receivables is disclosed in note 17 of the Accountant's Report in Appendix I to this Prospectus.

The expected loss rates are based on historical credit losses experience adjusted to reflect current and forward-looking information mentioned above affecting the ability of the customers to settle the receivables. For the year ended 31 December 2017, the expected credit losses rate of trade receivables from third parties are determined as follows:

		Up to 3 months Current	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.00%	0.02%	0.55%	7.25%	62.00%	100.00%

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For the year ended 31 December 2018, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.00%	0.02%	0.55%	7.25%	62.00%	100.00%

For the year ended 31 December 2019, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.09%	0.23%	2.10%	7.20%	62.00%	100.00%

For the period ended 30 April 2020, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.09%	0.23%	2.10%	7.20%	62.00%	100.00%

During the Track Record Period, receivables from the largest customer amounted to RMB10,716,000, RMB17,671,000, RMB120,718,000 and RMB181,725,000 of the total trade receivables as at 31 December 2017, 2018 and 2019 and 30 April 2020. The remaining receivables were from a large number of customers.

Since the actual loss rates for each type of the trade receivables and the adjustments for forward-looking information did not have significant change during the Track Record Period, our Directors consider that the change in the expected credit loss rate for provision matrix is insignificant throughout the Track Record Period.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

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(c) Liquidity risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the senior management to finance our operations and mitigate the effects of fluctuations in cash flows. The details of analyses concerning our liquidity risk are set out in note 3.1(c) of the Accountant's Report in Appendix I to this prospectus.

DIVIDENDS

We currently do not have a pre-determined dividend policy or a fixed dividend payout ratio. During the Track Record Period, we did not declare or pay any dividends to our Shareholders.

LISTING EXPENSES

The listing expenses in connection with the Share Offer consist primarily of underwriting commission and other expenses assuming an Offer Price of HK\$1.05 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.0 to HK\$1.1 per Offer Share, are estimated to be approximately HK\$51.0 million (equivalent to approximately RMB46.4 million), of which approximately HK\$8.8 million (equivalent to approximately RMB8.0 million), approximately HK\$12.2 million (equivalent to approximately RMB11.1 million) and approximately HK\$4.4 million (equivalent to approximately RMB4.0 million) were charged to the consolidated statement of comprehensive income for the years ended 31 December 2018 and 2019 and the four months ended 30 April 2020, respectively. We expected the remaining listing expenses of approximately HK\$3.9 million (equivalent to approximately RMB3.6 million) will be charged to the consolidated statement of comprehensive income after the Track Record Period, and approximately HK\$21.7 million (equivalent to approximately RMB19.7 million) will be capitalised upon completing of the Share Offer. The listing expenses above were the best estimate as of the Latest Practicable Date and were for reference only. Actual amount may differ from this estimate.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the Mainland China, including but not limited to certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and measures on social distancing, etc. Currently, the outbreak of the COVID-19 is basically under control in the Mainland China and business activities have resumed in most regions in the Mainland China.

As at the Latest Practicable Date, our Directors are of the view that the outbreak of the COVID-19 does not have significant adverse impact on our daily business operations, including sales and purchase.

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WORKING CAPITAL

During the Track Record Period and up to the Latest Practicable Date, we financed our working capital requirements principally from cash generated from our operating activities, loans from our Shareholders and key management personnel and bank borrowings. Our Directors are of the opinion that, taking into account the net proceeds from the Share Offer and the financial resources available to us, including cash and cash equivalents and bank borrowings, we have sufficient working capital for our present requirements and for at least 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

There were no reserves available for distribution to the Shareholders as at 30 April 2020.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 30 April 2020 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the financial position and operating results shown in our consolidated financial information set out in the Accountant’s Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Our business strategies are to (i) further develop our intermediary services business; (ii) develop and expand our customer base and service offerings; (iii) strengthen our data analytic and information technology capabilities; and (iv) attract, retain and develop exceptional employees. See “Business – Our business strategies” in this prospectus for a detailed description of our future plans.

Further develop our intermediary services business

According to the F&S Report, the overall advertising market in China increased continuously in recent years with increasing revenue from RMB420.5 billion in 2014 to RMB737.7 billion in 2019, representing a CAGR of 11.9%. The upward trend of the overall advertising market is principally driven by the fast growing mobile advertising market, as supported by the decrease of revenue of the advertising market of traditional media such as newspaper and magazines and television from RMB48.7 billion and RMB120.6 billion in 2014 to RMB36.6 billion and RMB69.0 billion in 2019, representing a CAGR of -19.4% and -10.6%, respectively, as well as the rapid increase of revenue of the mobile advertising market from RMB37.5 billion to RMB414.9 billion in the same period, representing a CAGR of 61.7%. Driven by the advancement of mobile advertising technology, it is estimated that the mobile advertising market will continue to grow and reach a revenue of RMB795.4 billion in 2024, and the advertising market of newspaper and magazines, and television, is expected to shrink further to a revenue of RMB5.6 billion and RMB46.2 billion, respectively in 2024. Further, according to the F&S Report, in 2019, revenue generated by advertising agents reached approximately RMB154.1 billion, representing a CAGR of 47.7% since 2014, the notable growth of which was in line with the vigorous development of the mobile advertising market in China. As advertising agents provide more comprehensive services for their customers from different industries, the advertising agency market in China is expected to grow stably and reach approximately RMB305.4 billion in 2024.

The continuous expansion of the mobile advertising market has contributed to the significant growth of our intermediary services since our inception in late 2015. For the three years ended 31 December 2019 and the four months ended 30 April 2020, the gross revenue generated from our intermediary services were approximately RMB139.1 million, RMB409.0 million, RMB523.9 million and RMB241.9 million, respectively. Moreover, during the same periods, we handled placement of 797, 1,467, 1,601 and 664 advertisements, respectively, out of which, 481, 888, 1,073 and 436 were advertisements for our intermediary services, representing approximately 60.4%, 60.5%, 67.0% and 65.7%, respectively, of the total advertisement placements which we handled.

Our Directors believe that revenue growth and the increasing number of advertisements which we handled in our intermediary services were supported by our developed customer base, as evidenced by the increase in the number of customers from 279 for the year ended 31 December 2017 to 592 for the year ended 31 December 2019. Moreover, we were able to establish business relationships with some leading and popular conglomerates in China, such

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as Customer B and Customer F, which had strong advertising needs to promote their products or services through mobile advertising. For details of the background of Customer B and Customer F, please refer to the section headed “Business – Our customers” of this prospectus. Our Directors believe that acting as the mobile advertising company of these leading conglomerates with substantial demand for mobile advertising services can help build our reputation in the industry, and we will therefore be able to seize more business opportunities through continuous development and expansion of our customer base.

Given the recent fast growing trend and the expected growth of the mobile advertising market in China and our market position in the mobile advertising industry, our Directors believe that there are vast opportunities for our Group to further expand our business scale and increase our market share, and there is adequate demand to support our business plan on further expanding our intermediary services business.

While we had a business growth in our intermediary services in terms of gross revenue during the Track Record Period, we are facing challenge on further expanding our business given the limited capital resource. As part of our value-added services offered to our customers for the intermediary services, we purchase virtual tokens of the designated media publishers on behalf of our customers, and we are required to have sufficient amount of virtual tokens before we arrange the bidding of advertisement inventories. The virtual tokens are purchased only after the relevant advertising orders are confirmed with our customers and they are made on an order by order basis at amounts referencing to the budget of each advertising order. We also offer credit terms to our customers while we allow them to settle our bills after the conclusion of the advertisement placed. Thus, there is a time lag between the purchase of virtual tokens for our customers and the settlement of trade receivables from them. Such time lag would limit our capacity of accepting other new business opportunities and advertising orders.

As at 31 December 2017, 2018 and 2019, and 30 April 2020, our trade receivables were approximately RMB56.0 million, RMB162.1 million, RMB223.4 million and RMB277.1 million, respectively, representing approximately 64.7%, 65.2%, 66.2% and 72.7% of our total assets as at the same dates respectively, while the prepayments to suppliers amounted to approximately RMB18.4 million, RMB67.4 million, RMB67.2 million and RMB67.6 million, respectively, representing approximately 21.2%, 27.1%, 19.9% and 17.7% of our total assets as at the same dates respectively. The trade receivables and prepayments thus accounted for the majority of our total assets. Moreover, we recorded an increasing portion of our intermediary services in which we made prepayments on purchasing virtual tokens on behalf of our customers. During the Track Record Period, approximately 64.5%, 77.7%, 94.1% and 80.5% of the total gross revenue of our intermediary services was generated with prepayments made by us on behalf of our customers. Further, for the same periods, our trade receivables turnover days (assuming all the revenue are based on gross basis of revenue recognition) were 51.9 days, 64.2 days, 92.6 days and 90.6 days, respectively.

Purchasing virtual tokens for our customers in advance has been one of our value-added services in our intermediary services and it is our plan to continue to operate our intermediary services under this business strategy. Therefore, it is important for us to maintain a strong

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working capital base in order to support our further expansion in our intermediary services. During the period from August 2019 up to 30 June 2020, we had rejected 83 intended advertising orders from our customers (which represented approximately 12.5% of the total number of advertisements we handled for the four months ended 30 April 2020) as we did not have the required working capital to purchase virtual tokens for such orders at the relevant time. For illustrative purpose, based on our average gross revenue of approximately RMB414,000 per each advertisement handled as discussed in the section headed “Business – Our services – Key operating information – Number of advertisements we placed” of this prospectus, we hypothetically experienced a loss in gross revenue of approximately RMB34.4 million during the period from August 2019 up to 30 June 2020 due to our rejections to the said intended advertising orders.

Having taken into account that (i) the mobile advertising market in China has been growing rapidly and has become a main source of advertising in China; (ii) we recorded increasing gross revenue and number of advertisement placements which we handled in our intermediary services; (iii) trade receivables and prepayments related to our intermediary services are our principal assets; (iv) we rejected a number of intended advertising orders recently due to our limited working capital, our Directors therefore believe that further development in the intermediary services is core to our business expansions and there are sufficient advertising demands for the intermediary services in the market to support our expansion plan if we are able to strengthen our working capital base.

In order to accept as many advertising orders as we could, we had recently undertaken the following measures in order to fill up our working capital for our intermediary services in short term:

- i. our working capital for our business were mostly financed by Shareholders’ loans and our self-generated funds from our business operations during the Track Record Period. For further bettering our positions of cash level to support our operations, we obtained Shareholders’ loans of RMB12.0 million in aggregate in around September 2019, RMB8.0 million in around November 2019 and RMB5.7 million in around April 2020; and
- ii. prior to December 2019, we did not have any bank loan as we do not have sufficient fixed assets available for security or pledge and we faced difficulty in obtaining bank loans on commercially acceptable terms for our working capital. In December 2019, we successfully obtained our first bank borrowings in the amount of RMB8.0 million;
- iii. in December 2019, we entered into a business factoring agreement with a commercial bank in the PRC pursuant to which we agreed, amongst others, to transfer our trade receivables from Customers B to the bank for a facility of up to RMB200 million.

However, the above measures do not offer a full solution to us for additional capital because:

- i. all Shareholders’ loans are to be settled in full prior to the Listing;

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- ii. the bank loan is subject to repayment over time and we will face additional costs for interests incurred and is secured by a personal guarantee granted by our Controlling Shareholder (which shall be released or replaced before the Listing); and
- iii. the business factoring agreement is catered for trade receivables of Customer B only. Our gross revenue generated from Customer B amounted to approximately RMB182.3 million for the year ended 31 December 2019 which only represented approximately 24.0% of our total gross revenue in 2019. Moreover, the factoring also incurs us with additional finance costs.

Furthermore, the continuous reliance on our Controlling Shareholders for loan and provision of financial assistances may be a hindrance to our Group's future development and our financial independence. Therefore, it is essential for us to seek for additional source of fund raising through the Share Offer to support our business expansions in the long run.

With an improved working capital base following the Listing, we would be in a better position to expand our intermediary services business along with the growth trend of the mobile advertising market and generate more revenue from (i) an increasing number of our advertisement placements; and/or (ii) advertising orders which require higher level of prepayments. It is our intention to focus our business expansions through the following media publishers:

- i. Media Publisher E: an app that presents customised feeds including news, articles and short videos to the app users. Our placement of advertisements on Media Publisher E is through a company controlled by a company, which is listed on Nasdaq, with a market capitalisation of approximately US\$0.8 billion as at 31 July 2020.
- ii. Media Publisher F: an app which shares and publishes news and videos online covering a wide range of contents, including entertainment, games, sports, finance and live videos. It is operated by a company which is regarded as a first-tier media publisher with MAU over 1 billion according to the F&S Report.
- iii. Media Publisher C: a platform for the publication of advertisements on various apps including messaging app, social media app, music app and news app. Media Publisher C was operated by a company whose ultimate holding company is listed on the Main Board, with a market capitalisation of approximately HK\$5.1 trillion as at 31 July 2020. Moreover, it is regarded as a first-tier media publisher with MAU over 1 billion according to the F&S Report.

Our Directors believe that there is a growth potential on our intermediary services with advertisements to be placed in these three media publishers with the following reasons:

- i. they are well-developed and reputable in the mobile advertising market with established group of audience;
- ii. we are firstly recognised as core advertising agents of Media Publisher E and Media Publisher F during the years ended 31 December 2018 and 2019, respectively. Since then, we have experienced substantial growth in business transactions associated

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with them. Our gross revenue generated from placing advertisements at Media Publisher E increased from approximately RMB5.2 million for the year ended 31 December 2018 to RMB148.6 million for the year ended 31 December 2019, while for Media Publisher F, the gross revenue increased from approximately RMB1.3 million for the year ended 31 December 2018 to RMB116.1 million for the year ended 31 December 2019. The gross revenue generated from placing advertisements at Media Publisher E and Media Publisher F amounted to approximately RMB108.5 million and RMB49.4 million for the four months ended 30 April 2020, respectively; and

- iii. Although we are not a core advertising agent of Media Publisher C, given its high popularity in the mobile advertising market, we also experienced a substantial growth in business transactions associated with it. Our gross revenue generated from placing advertisements at Media Publisher C amounted to approximately RMB62.2 million for the year ended 31 December 2018, RMB106.2 million for the year ended 31 December 2019 and RMB21.4 million for the four months ended 30 April 2020.

Further, the following table sets out the gross revenue and net revenue generated from advertisement placements on Media Publisher C, Media Publisher E and Media Publisher F for the two months ended 30 June 2020 and the corresponding period in 2019:

	For the two months ended	
	30 June (unaudited)	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Media Publisher C		
Gross revenue	18,537	19,571
Net revenue	1,613	1,415
Media Publisher E		
Gross revenue	26,271	58,900
Net revenue	3,893	6,076
Media Publisher F		
Gross revenue	24,548	22,742
Net revenue	1,103	1,415

We recorded a substantial increase in gross revenue from Media Publisher E for the two months ended 30 June 2020. With the strong demand on advertising at Media Publisher E and its relatively higher margin so generated, more efforts and resources were allocated in this media publisher given the limited capital resources we had from time to time. This result in only mild increase in gross revenue generated from Media Publisher C and slight drop in gross revenue from Media Publisher F as compared with the corresponding period in 2019. Notwithstanding the above, our Directors believe that equipping with the strengthened capital resources through the Share Offer, we will be able to capture more business opportunities with Media Publisher C and Media Publisher F and we believe that the demands for placing advertisements on both Media Publisher C and Media Publisher F will remain strong in the future due to their high popularity as first-tier media publishers in the PRC with stable and large traffic and high user stickiness. Moreover, we consider Media Publisher C and Media

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Publisher F as part of our growth drivers through implementation of our business strategy in maintaining a balanced mix of first-tier and other media publishers so as to better serve the advertising needs of our customers as the long term business goal.

The total gross revenue generated from advertisement placements on Media Publisher C, Media Publisher E and Media Publisher F represented approximately 16.8%, 70.8% and 74.1% of the total gross revenue of our intermediary services for the two years ended 31 December 2019 and the four months ended 30 April 2020, respectively. Given the significant contributions from advertisement placements on Media Publisher C, Media Publisher E and Media Publisher F to our intermediary services, our Directors believe that our mix of media publishers, which comprises first-tier media publishers and other media publishers, can offer our customers with more options of media publishers which would in turn allow us to promote our revenue growth and further enhance our market share and profitability in the long run.

Based on the above, our Directors believe that there are adequate demands in the market on placing advertisements at these media publishers, which will support our expansion plan. Moreover, the deepening in the relationship with these media publishers will enable us to (i) secure stable advertisement inventories at competitive costs in the long run; and (ii) strengthen our revenue base and hence our profitability as a whole.

Exploring the opportunities to obtain the status of core advertising agent of other media publishers as and when appropriate

As a long term business development strategy, we will keep close attention to the fast moving mobile advertising market and to locate and obtain the status as core advertising agents of other media publishers as we consider fit from time to time, which have potential to support our business expansion plan in our intermediary services.

Our Directors believe that we are able to enjoy benefits from being core advertising agents of more media publishers, which include:

- i. further expanding our network of media publishers to provide more options to our customers, as different media publishers has different coverage and audience group;
- ii. seizing more business opportunities and attracting more prominent customers as customers tend to select core advertising agents over advertising agents of lower rank;
- iii. lowering the advertising traffic costs because of the preferential discount policy. Moreover, some media publishers adopt a progressive discount scheme for their core advertising agents, pursuant to which an additional discount as incentive will be offered if higher transaction amount is reached; and
- iv. enhancing the quality of our services as a result of direct support and training provided by the media publishers upon becoming their core advertising agents.

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Other future plans

Having considered that (i) the mobile advertising market in China is expected to grow as mentioned above, which supports the future plan to develop our intermediary services business; (ii) the mobile advertising market in China has been continuously expanding and has contributed to the significant growth of our intermediary services, which resulted in an increase in gross revenue generated from our intermediary services as disclosed above; (iii) we handled an increasing number of advertisement placements, i.e. the number increased from 481 for the year ended 31 December 2017 to 888 and 1,073 for the two years ended 31 December 2019, respectively, which resulted in a significant increase in the number of our project enhancers (who are responsible for monitoring the post-publication performance of the advertisements and making necessary modifications to the advertising strategies if appropriate and accounted for the majority of our customer services staff) from 12 for the year ended 31 December 2017 to 20 and 51 for the two years ended 31 December 2019, respectively, to cater the expansion of our business, in particular, our intermediary services; (iv) we have a developed customer base and the number of our customers increased from 279 for the year ended 31 December 2017 to 592 for the year ended 31 December 2019 which led to the increase in the revenue generated by and the number of advertisement placements handled for our intermediary services; and (v) we have to proactively explore potential customers and further expand our customer base given the fierce competition in the mobile advertising market in China (for example, we were able to establish business relationships with some leading and popular mobile internet conglomerates in China, such as Customer B and Customer F), our Directors are of the view that additional marketing and customer service manpower will be required to implement our business strategy and successful implementation of the same would enhance our profitability in the long run. As such, total number of our sales and marketing staff and customer service staff is expected to be increased by 60 in the next two years, so as to cater the expected increase in number of customers and advertisement placements which we handled pursuant to our expansion plan. We also expect to expand a team specialising in researching and developing advertisement in video format with 20 employees in the next two years, so that we can put forward more advertising options to our customers.

For marketing campaigns targeting new customer groups, in particular those from real estate and automobile industries, we intend to, among others, participate in advertising exhibitions and summit meetings and seminars, as well as joining advertising industry association, in order to expand our customer base through establishing business relationships with more customers and advertisers from more diverse industries, such as real estate and automobile.

The expansion of our business will also increase the demand for upgrading our DMP, so as to enhance the coverage, completeness and application of information provided by our DMP. Thus, we will also expand our research and development team, as well as increasing the expenses in software maintenance and update. As at the Latest Practicable Date, we held 66 registered software copyrights, covering certain software in our DMP and advertising performance monitoring system, which facilitates our business operation by providing useful market data for formulating advertising proposals to customers, as well as conducting

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post-publication monitoring and reporting to ensure the conversion rate of the advertisement we placed is satisfactory to our customers. In view of our expansion plan, we expect to increase the work force for research and development team by 18 in the next two years, so as to enhance our information technologies capabilities.

Our intended expenses for research and development will be allocated evenly over the period from the Latest Practicable Date to 30 September 2022, while near half of the intended expenses for expanding our workforce on marketing, customer service and staff for developing advertising video format is expected to be spent for the period from the Latest Practicable Date to 30 September 2022, in order to be prepared to handle the expected increase in number of advertisement placements pursuant to our plan for expanding our intermediary services. For more details of the application of net proceeds and implementation plan, please refer to the paragraphs headed “Use of proceeds” in this section. After the expansion of work force for the period from the Latest Practicable Date to 30 September 2022, we intend to gradually expand according to the organic growth of our business. It is expected that the implementation of our expansion plan will increase the employee benefit expenses, which will account for a higher proportion of our overall operational expenses. Please refer to the section headed “Risk factors – Our staff costs and marketing expenses will increase pursuant to the implementation of our expansion plan.” of this prospectus for the risk associated with the expansion plan.

Details of our future plan to expand service offerings from the Latest Practicable Date until 30 September 2022 are as follows:

- For the period from the Latest Practicable Date to 31 December 2020, while we will enhance the quality of advertisements displayed in still image format, we will further develop advertisements displayed in video format, for instance recruiting additional editors and actors, and extending the variety of scenes for video filming;
- For the six months ending 30 June 2021, we will continue to enhance the quality of advertisements displayed in still image format and to enhance the performance of advertisements in video format. For the latter, we will extend the variety of video types such as live videos, animations and product display videos;
- For the six months ending 31 December 2021, we will research and develop interactive advertisements in innovative forms, such as in the form of mini games; and
- For the nine months ending 30 September 2022, we will explore the possibility of applying new and novel interactive advertisements for placements.

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USE OF PROCEEDS

We expect to incur a listing expenses of approximately HK\$51.0 million in connection with the Share Offer. The table below sets forth the estimated aggregate net proceeds which we will receive after deduction of underwriting commissions and estimated expenses:

Assuming an Offer Price of HK\$1.05 per Share (being the mid-point of the Offer Price range stated in this Prospectus)	HK\$80.3 million (equivalent to RMB73.1 million)
Assuming an Offer Price of HK\$1.1 per Share (being the high-end of the Offer Price range stated in this Prospectus)	HK\$86.0 million (equivalent to RMB78.3 million)
Assuming an Offer Price of HK\$1.0 per Share (being the low-end of the Offer Price range stated in this Prospectus)	HK\$74.5 million (equivalent to RMB67.8 million)

In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK\$98.4 million, assuming an Offer Price of HK\$1.05 per Share (being the mid-point of the indicative Offer Price range stated in this Prospectus).

We will apply the net proceeds from the Share Offer of approximately HK\$80.3 million (equivalent to approximately RMB73.1 million) for the purposes and in the amounts set out below (assuming the Offer Price is fixed at HK\$1.05 per Share, being the mid-point of the Offer Price range stated in this Prospectus):

- approximately 64.9% of our total estimated net proceeds, or approximately HK\$52.1 million (equivalent to RMB47.4 million), will be used for the expansion of our intermediary services through accepting more advertising orders from customers for placing advertisements at Media Publisher E, Media Publisher F and Media Publisher C:
 - approximately 40% of which (approximately HK\$20.9 million (equivalent to RMB19.0 million)) will be applied for the future increase in transaction amount with Media Publisher E;
 - approximately 30% of which (approximately HK\$15.6 million (equivalent to RMB14.2 million)) will be applied for the future increase in transaction amount with Media Publisher F;
 - approximately 30% of which (approximately HK\$15.6 million (equivalent to RMB14.2 million)) will be applied for the future increase in transaction amount with Media Publisher C;

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- The allocation of proceeds to be applied for procuring advertisement inventories from Media Publisher E, Media Publisher F and Media Publisher C is in line with our historical transaction amounts with them. For the year ended 31 December 2019, our transaction amounts with Media Publisher E, Media Publisher F and Media Publisher C accounted for approximately 26.9%, 23.1% and 20.7% of our total advertising traffic costs for the intermediately services, respectively, with a total of approximately 70.7%; and
 - Should we fail to secure sufficient advertising orders for placements at Media Publishers C, Media Publishers E and/or Media Publishers F in the manner as described above, the relevant estimated net proceeds will be applied for the expansion of our intermediary services by accepting more advertising orders for placements on suitable media publishers as our Directors may decide as and when appropriate, leveraging on our extensive market knowledge and experience and taking into account various factors, including the popularity of media publishers, the margin we can enjoy and the demands of our customers. We will adhere to our business strategy of maintaining a balanced mix of media publishers when making allocation of proceeds among the media publishers. Proceeds will be applied on advertisement placements on both first-tier media publishers as well as second-tier media publishers.
- approximately 21.3% of our total estimated net proceeds, or approximately HK\$17.1 million (equivalent to RMB15.6 million), will be used for expansion of our customer base through expansion of our marketing, customer service and design teams.
- We will recruit around 15 sales and marketing staff in the next two years for the purpose of proactively exploring potential customers and expanding our customer base given the fierce competition in the mobile advertising market in China. We will apply approximately HK\$3.9 million (equivalent to RMB3.6 million) for this purpose;
 - We will recruit around 45 customer service staff, inclusive of project enhancers in the next two years for the purpose of handling the expected increasing number of advertisement placements as a result of our plan to expand our intermediary services. We will apply approximately HK\$9.9 million (equivalent to RMB9.0 million) for this purpose; and
 - We will recruit around 20 staff in the next two years. These new staff recruited will focus on developing advertisement in video format, and these new staff includes video editors, video directors, animation creators and video designers under the team of designers, photographers and editors under customer services function. Recruiting these new staff will enable us to offer more variety of advertisements in video format to our customers. We will apply approximately HK\$3.3 million (equivalent to RMB3.0 million) for this purpose.

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- approximately 10.5% of our total estimated net proceeds, or approximately HK\$8.4 million (equivalent to RMB7.6 million), will be used for research and development purpose and for enhancing our information technology and DMP systems.
- We will recruit around 18 research and development staff with more than three years of experience in mobile advertising industry in the next two years. We will apply approximately HK\$5.9 million (equivalent to RMB5.4 million) for this purpose; and
- We will increase the expense for software maintenance by approximately HK\$2.5 million (equivalent to RMB2.2 million) in the next two years in order to enhance the coverage, completeness and application of information provided by our DMP and information technology systems.
- approximately 3.3% of our total estimated net proceeds, or approximately HK\$2.7 million (equivalent to RMB2.5 million), will be used for other working capital and general corporate purposes.

Should (i) our Directors decide to re-allocate the intended use of proceeds to other business plan or other media publishers to a material extent, and/or (ii) there be any material modification to the aforesaid future plans and use of proceeds, appropriate announcement(s) containing details of and reasons for such change will be made by us in due course.

To the extent that the net proceeds from the Share Offer are not immediately required for the aforesaid purposes or if we are unable to effect any part of our future plan as intended, we will hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

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Implementation Plan

Our plan for the intended use of proceeds is to implement our business strategies and objectives. The implementation plan of our Group is set out in the following tables from the Latest Practicable Date until 30 September 2022. Investors should note that our implementation plan is subject to many uncertainties and unpredictable factors, in particular, the risk factors listed out in the section headed “Risk Factors” of this prospectus. As such, we cannot assure you that the plan will be materialised in accordance with the estimated time frame and that our future plans will be accomplished at all.

For the period from the Latest Practicable Date to 31 December 2020

Business strategy	Implementation plan	Sources of funding
Expand our intermediary services	– accepting more advertising orders	Proceeds from the Share Offer of approximately HK\$52.1 million
Expand our customer base	– recruiting 15 project enhancers	Proceeds from the Share Offer of approximately HK\$3.3 million
	– recruiting four sales and marketing staff	Proceeds from the Share Offer of approximately HK\$1.1 million
	– recruiting six design team staff for producing advertisements in video format	Proceeds from the Share Offer of approximately HK\$1.0 million
Enhance our information technology and DMP systems	– recruiting three research and development staff	Proceeds from the Share Offer of approximately HK\$1.0 million
	– software testing and maintenance	Proceeds from the Share Offer of approximately HK\$0.3 million
Conduct marketing campaigns	– our sales and marketing staff will actively participate in summit meetings and seminars organised by market players in real estate and automobile industry to locate potential customers. To expand our customer base, we will proactively approach potential customers through business meetings and text communications.	Internal resources

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For the six months ending 30 June 2021

Business strategy	Implementation plan	Sources of funding
Expand our intermediary services	– accepting more advertising orders	Internal resources
Expand our customer base	– recruiting ten project enhancers	Proceeds from the Share Offer of approximately HK\$2.2 million
	– recruiting three sales and marketing staff	Proceeds from the Share Offer of approximately HK\$0.8 million
	– recruiting two design team staff for producing advertisements in video format	Proceeds from the Share Offer of approximately HK\$0.3 million
Enhance our information technology and DMP systems	– recruiting five research and development staff	Proceeds from the Share Offer of approximately HK\$1.7 million
	– software testing and maintenance	Proceeds from the Share Offer of approximately HK\$0.4 million
Conduct marketing campaigns targeting on real estate and automobile industries	– we will attend summit meetings relating to mobile internet organised by media. In addition, we will hold gatherings and online seminars, inviting current customers and potential customers to join these events.	Internal resources

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For the six months ending 31 December 2021

Business strategy	Implementation plan	Sources of funding
Expand our intermediary services	– accepting more advertising orders	Internal resources
Expand our customer base	– recruiting five project enhancers	Proceeds from the Share Offer of approximately HK\$1.1 million
	– recruiting two sales and marketing staff	Proceeds from the Share Offer of approximately HK\$0.5 million
	– recruiting eight design team staff for producing advertisements in video format	Proceeds from the Share Offer of approximately HK\$1.3 million
Enhance our information technology and DMP systems	– recruiting four research and development staff	Proceeds from the Share Offer of approximately HK\$1.3 million
	– software testing and maintenance	Proceeds from the Share Offer of approximately HK\$0.8 million
Conduct marketing campaigns	– we will further organise training seminars relating to mobile internet for potential customers in real estate and automobile industries, and join advertising industry association to promote our corporate image.	Internal resources

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For the nine months ending 30 September 2022

Business strategy	Implementation plan	Sources of funding
Expand our intermediary services	– accepting more advertising orders	Internal resources
Expand our customer base	– recruiting 15 project enhancers	Proceeds from the Share Offer of approximately HK\$3.3 million
	– recruiting six sales and marketing staff	Proceeds from the Share Offer of approximately HK\$1.5 million
	– recruiting four design team staff for producing advertisements in video format	Proceeds from the Share Offer of approximately HK\$0.7 million
Enhance our information technology and DMP systems	– recruiting six research and development staff	Proceeds from the Share Offer of approximately HK\$2.0 million
	– software testing and maintenance	Proceeds from the Share Offer of approximately HK\$0.9 million
Conduct marketing campaigns	– apart from organising gatherings and online seminars for existing and potential customers, we will join advertising exhibitions to enhance our reputation.	Internal resources

Reasons for the Listing

Our reasons for seeking the Listing are set out below:

1. To improve our positions of working capital and funding for further implementation of our business strategies

Due to our business model, we are generally required to make a substantial amount of prepayments to media publishers for our intermediary services before arranging advertisement placements for our customers and receiving payments from customers, and we relied mostly on Shareholders' loans to finance our working capital during the Track Record Period. As the mobile advertising market of the PRC is still expanding, we intend to expand our business by maintaining the business relationships with existing media publishers operating major mobile internet media so that we may generate more revenue by accepting more advertising orders for placements on these media publishers. Please refer to the section headed "Business – Our business strategies" of this prospectus for more details.

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Our Directors believe that the Listing will provide us with the necessary fund, in particular for increasing our working capital, for the implementation of our business strategies.

2. To obtain a listing status which is beneficial to our Group

Apart from the improvement of our working capital position by obtaining the proceeds for the Listing, our Directors further believe that obtaining a listing status is beneficial to our Group.

With a listing status, we believe that our Group will have more access not only to bank loan or loan from financial institutions, but also a platform upon which several fund raising activities will be made possible, including but not limited to raising of additional fund by issuance of equity securities. A listing status would also enhance our corporate image, confidence in our customers, so we are in a better position to capture business opportunities, and in particular to become core advertising agents recognised by media publishers, as business reputation is one of the factors taken into account.

3. Choice of the Stock Exchange as listing avenue

Notwithstanding the fact that our core business operation is conducted in the PRC, we believe that the Stock Exchange is the appropriate avenue for the Listing, as Hong Kong has a renowned initial public offering fundraising size, which the Stock Exchange ranked the first for initial public offering markets in terms of total fund raised by new issuers for the year of 2018. The Stock Exchange also is an active market with high daily equities turnover, and with such liquidity, we believe that listing on the Stock Exchange will attract a wider base of shareholders and potential investors, and more fund raising activities are made possible.

In the event that the Offer Price is fixed below or above the mid-point of the indicative price range, the net proceeds allocated to the above purposes will be adjusted on a pro rata basis.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, or if we are unable to put into effect any part of our development plan as intended and disclosed, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the relevant disclosure requirements under the Listing Rules.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into the cornerstone investment agreements with Fun-Platform Holdings Limited and Xingchang International Company Limited (the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”). Pursuant to the cornerstone investment agreements, the Cornerstone Investors have agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for in an aggregate amount of approximately HK\$38.6 million (based on the conversion rates of US\$1.00 to HK\$7.7503 and RMB1.00 to HK\$1.1573) at the Offer Price (the “**Cornerstone Placing**”).

Our Company is of the view that the Cornerstone Placing would demonstrate the Cornerstone Investors’ confidence on the prospects of our Company, thereby delivering positive signals to potential investors and to ensure the success of the Share Offer.

Based on the Offer Price of HK\$1.00 (being the low-end of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 38,646,000, representing approximately (i) 30.92% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 26.88% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; and (iii) 7.73% of the Shares in issue upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme).

Based on the Offer Price of HK\$1.05 (being the mid-point of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 36,804,000, representing approximately (i) 29.44% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 25.60% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; and (iii) 7.36% of the Shares in issue upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme).

Based on the Offer Price of HK\$1.10 (being the high-end of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 35,130,000, representing approximately (i) 28.10% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 24.44% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; and (iii) 7.03% of the Shares in issue upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme).

To the best knowledge of our Directors, (i) each of the Cornerstone Investors is an Independent Third Party and is not a connected person, and the Cornerstone Investors are independent from each other and make independent investment decisions ; (ii) none of the Cornerstone Investors is accustomed to take instructions and has not taken any instructions from our Company, Directors, chief executive, Controlling Shareholders, Substantial

CORNERSTONE INVESTORS

Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or any other disposition of the Offer Shares; (iii) none of the subscription of the Shares by the Cornerstone Investors is financed by our Company, Directors, chief executive, Controlling Shareholders, Substantial Shareholders, or existing Shareholders or any of its subsidiaries or their respective close associates; and (iv) there is no deferred settlement in payment for the Shares to be subscribed by the Cornerstone Investors. Immediately after completion of the Share Offer, none of the Cornerstone Investors will have any representation in our Board, nor will they become our Substantial Shareholder. The Cornerstone Investors do not have any preferential rights in the cornerstone investment agreements compared with other public Shareholders except the guaranteed allocation of the relevant Offer Shares at the Offer Price.

Pursuant to the respective cornerstone investment agreements, (i) each Cornerstone Investor should be obliged to make full payment of their respective investment amounts at least five business days before the Listing Date (or at least one business day before the Listing Date shall there be a further mutual agreement amongst the Cornerstone Investor, the Sole Sponsor, the Joint Global Coordinators and our Company in writing); and (ii) our Company and the Joint Global Coordinators may at their sole discretion, determine that delivery of all or any part of the Offer Shares to be subscribed by the Cornerstone Investors to be made on the Listing Date or a date later than the Listing Date, provided that the delayed delivery date shall not be later than the third business day after the last day of exercising the Over-allotment Option, and the Cornerstone Investors shall nevertheless make full payment of their respective investment amount as specified in (i) above. If there is over-allocation in the Placing, there may be delayed delivery of the Offer Shares and since the Cornerstone Investors have agreed that notwithstanding the delayed delivery, they will pay for the relevant Offer Shares as specified in (i) above, there will be no deferred settlement. Shall there be no over-allocation in the Placing, delayed delivery will not take place and there will be no deferred settlement.

As confirmed by each of the Cornerstone Investors, (i) the respective investments made by the Cornerstone Investors in respect of the Cornerstone Placing are financed by their own internal fund and/or the financial resources of its group companies; and (ii) there are no side agreements or arrangements made between our Company and the Cornerstone Investors in connection with the Cornerstone Placing.

The Cornerstone Placing forms part of the Share Offer. 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. The Offer Shares to be subscribed by the Cornerstone Investors will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Share Offer (other than pursuant to the respective cornerstone investment agreements). Immediately following completion of the Share Offer, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of the Cornerstone Investors become a Substantial Shareholder. The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by any reallocation between the Public Offer Shares and Placing Shares as disclosed under the section headed “Structure of the Share Offer” of this prospectus.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around Tuesday, 10 November 2020.

CORNERSTONE INVESTORS

CORNERSTONE INVESTORS

Our Company has entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing.

Cornerstone Investor	Investment amount (note 1)	Number of Shares to be subscribed for (rounded down to the nearest whole board lot of 2,000 Shares if necessary)	Based on the Offer Price of HK\$1.00 (being the low-end of the indicative Offer Price range)			
			Approximate percentage of the Placing Shares (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Share Offer (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Share Offer (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is fully exercised)
Fun-Platform Holdings Limited Xingchang International Company Limited	RMB20,000,000	23,146,000	20.57%	17.64%	18.52%	16.10%
	USD2,000,000	15,500,000	13.78%	11.81%	12.40%	10.78%
						4.46%
						2.99%
Cornerstone Investor	Investment amount (note 1)	Number of Shares to be subscribed for (rounded down to the nearest whole board lot of 2,000 Shares if necessary)	Based on the Offer Price of HK\$1.05 (being the mid-point of the indicative Offer Price range)			
			Approximate percentage of the Placing Shares (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Share Offer (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Share Offer (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is fully exercised)
Fun-Platform Holdings Limited Xingchang International Company Limited	RMB20,000,000	22,042,000	19.59%	16.79%	17.63%	15.33%
	USD2,000,000	14,762,000	13.12%	11.25%	11.81%	10.27%
						4.25%
						2.85%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$1.1
(being the high-end of the Indicative Offer Price range)

Cornerstone Investor	Investment amount (note 1)	Number of Shares to be subscribed for (rounded down to the nearest whole board lot of 2,000 Shares if necessary)	Approximate percentage of the Placing Shares (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Placing Shares (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the Share Offer (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Share Offer (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is fully exercised)
Fun-Platform Holdings Limited Xingchang International Company Limited	RMB20,000,000	21,040,000	18.70%	16.03%	16.83%	14.64%	4.21%	4.06%
	USD2,000,000	14,090,000	12.52%	10.74%	11.27%	9.80%	2.82%	2.72%

Note:

(1) Excluding brokerage, SFC transaction levy and Stock Exchange trading fee.

CORNERSTONE INVESTORS

The information about the Cornerstone Investors as set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Fun-Platform Holdings Limited

Fun-Platform Holdings Limited is an exempted company established in the Cayman Islands with limited liability. Fun-Platform Holdings Limited is wholly-owned by Qutoutiao Inc. (a company listed on the NASDAQ with stock code: QTT) as at the Latest Practicable Date. Qutoutiao Inc. is mainly engaged in operating a platform that aggregate articles and short videos from professional media and freelancers and presents customised feeds to users. We became acquainted with Fun-Platform Holdings Limited through our business relationship with Supplier C, which is under the control of Qutoutiao Inc. and has conducted business with us since 2018. Supplier C was also our largest supplier based on gross advertising traffic costs for the year ended 31 December 2019 and the four months ended 30 April 2020.

Our Group's transactions with Supplier C have been and will be conducted in the ordinary course of business under normal commercial terms and on arm's length basis during and subsequent to the Track Record Period.

Xingchang International Company Limited (興長國際有限公司)

Xingchang International Company Limited is a company incorporated in Hong Kong with limited liability and is wholly-owned, as at the Latest Practicable Date, by Zhejiang Changxing Financial Holdings Group Co., Ltd.* (浙江長興金融控股集團有限公司, “**Zhejiang Changxing**”). Xingchang International Company Limited is principally engaged in provision of fund financing services. As at the Latest Practicable Date, Zhejiang Changxing is ultimately and beneficially owned by the Zhejiang Changxing County Finance Bureau* (浙江長興縣財政局) in Huzhou, Zhejiang Province, the PRC. With our Group's presence in Huzhou, Zhejiang Province after we set up Huzhou Bright Future, we contacted Zhejiang Changxing to explore the business opportunities and development in Huzhou and became acquainted with Xingchang International Company Limited through Zhejiang Changxing. In July 2019, we received a government grant of RMB6 million from the Zhejiang Changxing County Finance Bureau*, which is conditional upon completion of our initial public offering and recognised as deferred government grant. As confirmed by our Directors, the government grant has no relationship with the Cornerstone Placing to Xingchang International Company Limited.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Public Offer Underwriting Agreement and the Placing 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;

CORNERSTONE INVESTORS

- (ii) the Offer Price having been agreed upon amongst the Company, the Joint Global Coordinator and Joint Lead Managers (for themselves and on behalf of the Underwriters of the Share Offer);
- (iii) the Listing Committee of the Stock Exchange having granted the Listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investors) and such approval, permission or waiver not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Share Offer or the cornerstone investment agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, undertakings, confirmations and acknowledgement of each of the Cornerstone Investors (and where applicable, its wholly-owned subsidiary) are and will be accurate and true in all respects and not misleading and that there is no material breach of the cornerstone investment agreement on the part of each of the Cornerstone Investors and/or its wholly-owned subsidiary.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that without the prior written consent of our Company and Joint Global Coordinators, it will not, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), directly or indirectly, among other things, (i) dispose of, in any way, any of the Offer Shares it has subscribed pursuant to the cornerstone investment agreements or any interest in any company or entity holding any of such Offer Shares; (ii) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of such Offer Shares; (iii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (iv) enter into any transaction directly or indirectly with the same economic effect as any aforesaid transaction, and such aforesaid action(s) will result in an effective transfer of such Offer Shares before the end of the Lock-up Period pursuant to the cornerstone investment agreements. Notwithstanding the above, the Cornerstone Investors may transfer all or part of the relevant Shares to their respective wholly-owned subsidiaries, provided that the transferee will undertake that it will abide by the obligations of the relevant Cornerstone Investor under the relevant cornerstone investment agreement.

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PUBLIC OFFER UNDERWRITERS

SPDB International Capital Limited

Alpha International Securities (HONG KONG) Limited

Orient Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public 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.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

Grounds for Termination

The Joint Global Coordinators, at their sole and absolute discretion, may, for themselves and on behalf of the Public Offer Underwriters, upon the giving of notice in writing to us and/or the other warrantors (including our Controlling Shareholders and all our executive Directors), terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Global Coordinators or they have reasonable cause to believe that:
 - (i) any statement, estimate, forecast or expression of opinion, intention or expectation contained in this prospectus, the Application Forms, or any other documents which have been approved by our Company issued or used by or on

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behalf of our Company in connection with the Share Offer (the “**Offer Documents**”) (including any supplement or amendment thereto) considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer, was, when it was issued, or has become, untrue, incomplete, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Joint Global Coordinators, in all respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission therefrom considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer; or
- (iii) any of the representations, warranties, indemnities, agreements and undertakings given by our Company or the other warrantors in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer; or
- (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Joint Global Coordinators or any of the Underwriters) to any of the Underwriting Agreements or the agreement between ourselves and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) to record our agreement of the Offer Price; or
- (v) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospects of any member of our Group; or
- (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (viii) any matter, event, act or omission which gives or is likely to give rise to any liability of any of our Company or the other warrantors pursuant to the indemnities given by us or any of the other warrantors in the Public Offer Underwriting Agreement; or
- (ix) any expert stated in this prospectus (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

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- (x) a petition or an order is presented for the winding-up or liquidation of our Company or any of our Company's subsidiaries (the "**Group Company**") or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
 - (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors; or
 - (xii) a portion of the orders in the book building process, which is considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to our Group (each a "**Relevant Jurisdiction**"); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether

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or not responsibility has been claimed), acts of God, economic sanctions, outbreak of diseases, epidemics or pandemics or interruption or delay in transportation), in or affecting any of the Relevant Jurisdictions; or

- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any suspension or limitation 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 and the Shenzhen Stock Exchange, or (B) a general moratorium of commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any adverse change or development or event involving a prospective adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (viii) any adverse change or development or event involving a prospective adverse change in our Group's assets, liabilities, profits, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) the commencement by any judicial or regulatory body or organisation of any public action against our Company or a Director or our Controlling Shareholders or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (x) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Global Coordinators materially adverse to the marketing for or implementation of the Share Offer; or

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- (xi) an order or a petition is presented for the winding up or liquidation of our Group Company, or our Group Company makes any compromise or arrangement with our Group Company's creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xii) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of its subsidiaries or in respect of which our Group Company is liable prior to its stated maturity; or
- (xiii) any loss or damage sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiv) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or
- (xv) the chairman or chief executive officer of our Company vacating his or her office; or
- (xvi) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or Shares from the exercise of the Over-allotment Option pursuant to the terms of the Share Offer; or
- (xvii) material non-compliance of this prospectus and the other Offer Documents or any aspect of the Share Offer with the Listing Rules or any other Laws applicable to the Share Offer; or
- (xviii) any litigation or claim being threatened or instigated or any indictable offence being charged against our Group Company or our Directors or our Controlling Shareholders, and which, in any of the above cases and in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):
 - (1) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of our Group Company as a whole; or

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- (2) has or may have or will have or is likely to have a material adverse effect on the success of the Share Offer and/or make it impracticable or inadvisable for any part of the Public Offer Underwriting Agreement, the Public Offer or the Share Offer to be performed or implemented as envisaged; or
- (3) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (4) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Share Offer (including the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme) or in certain circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Joint Global Coordinators, our Company and the Stock Exchange that he/it shall not, and shall procure that any other registered holder (if any) controlled by us shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (i) during the period commencing from the date of this prospectus up to and including the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or

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- (ii) during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that within the period commencing from the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (i) when he/it pledges or charges any Shares beneficially owned by he/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to the Public Offer Underwriters and each of them that except pursuant to the Share Offer (including the issue of new Shares pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option, the grant of options under the Share Option Scheme and the issue of new Shares pursuant to the exercise of options that may be granted under the Share Option Scheme) or as mentioned in this prospectus or with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, our Company will not, and will procure that its subsidiaries not, to (a) allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or (b) grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company, or (c) repurchase Shares or other securities of our Company (except in compliance with the Listing Rules and the Code on Share Buy-backs), or (d) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares, or (e) offer to or agree to do any of the foregoing or announce any intention to do so, 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) and in the event of our Company doing

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any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, our Company will take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):

- (i) in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date, he or it shall not directly or indirectly (except in connection with the Stock Borrowing Agreement or the exercise of the Over-allotment Option) and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not:
 - (a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entering into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
 - (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities or any interest therein; or
 - (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
 - (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above,

whether any such swap agreement or other agreement or transaction is to be settled by delivery of such capital or securities, in cash or otherwise;

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- (ii) within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, he/it shall not and shall procure that the relevant registered holders and his/its associates and companies controlled by it and any nominee or trustee holding in trust for him/it shall not, take any action as referred to in paragraph (i)(a), (b), (c) or (d) above, if, immediately following such transfer or disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer);
- (iii) in the event of any transfer or disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such transfer or disposal will not create a false or disorderly market in the Shares; and
- (iv) without prejudice to paragraphs (i) and (ii) above, each of the Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, within the period from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:
 - (a) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
 - (b) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Public Offer Underwriters' interests in our Company

Save for their interests and obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

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The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions set out therein, agree to subscribe for or purchase the Placing Shares being offered pursuant to the Placing or procure subscribers to subscribe for or purchasers to purchase such Placing Shares.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the Placing Underwriters at any time from the Listing Date until the date which is 30 days from the last date of lodging application under the Public Offer, to require our Company to allot and issue up to and not more than 18,750,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover, among others, over-allocations in the Placing.

Commission

The Underwriters will receive a commission of 8% of the aggregate Offer Price of all the Offer Shares (including any Offer Share to be issued by us pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commission. In addition, the Sole Sponsor will receive a sponsorship, financial advisory and documentation fee in relation to the Share Offer. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$1.05 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.0 and HK\$1.1), are estimated to amount to approximately HK\$51.0 million in total (assuming that the Over-allotment Option is not being exercised).

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Public Offer Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- (i) the Public Offer of 12,500,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraphs headed “Public Offer” in this section; and
- (ii) the Placing of an aggregate of 112,500,000 Placing Shares (subject to reallocation and the Over-allotment Option as mentioned below) to professional, institutional and private investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Placing Shares under the Placing, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option in full as set out in the paragraphs headed “Over-allotment Option” in this section.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on 2 November 2020 and in any event, not later than 6 November 2020.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.1 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for

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lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer on 2 November 2020, cause there to be published in on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.btomorrow.cn notices of reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of such 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 with our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Public Offer Shares, applicants should have regarded to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.btomorrow.cn of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the agreement to fix the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the Placing and the results of application under the Public Offer and basis of allocation of the Public Offer Shares is expected to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.btomorrow.cn.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.1 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$1.1 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK\$2,222.17 is payable for one board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain numbers of Public Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$1.1 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange

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trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for Public Offer Shares” of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon the following:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;
- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof;
- the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date; and
- the Offer Price having been determined and the execution of the agreement for such determination on or around the Price Determination Date, in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraphs headed “13. Refund of application monies” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving bank or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 125,000,000 Offer Shares will be made available under the Share Offer, of which 112,500,000 Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 12,500,000 Public Offer Share (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer.

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The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to severally underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” of this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

PLACING

Our Company is expected to offer initially 112,500,000 Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Reallocation

The total number of Placing Shares to be transferred pursuant to the Placing may change as a result of the clawback arrangement described in the paragraphs headed “Public Offer – Reallocation and clawback” in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Public Offer Shares to the Placing.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer. Our Company, our Directors, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

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The Placing is expected to be subject to the conditions as stated in the paragraphs headed “Conditions of the Share Offer” in this section.

PUBLIC OFFER

Our Company is initially offering 12,500,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares being initially offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$1.1 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue, such applicant’s application under the Public Offer is liable to be rejected.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 6,250,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million or less (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon). The Public Offer Shares available in pool B will consist of 6,250,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5 million (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

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Reallocation and clawback

The allocation of the Offer Shares between the Placing and the Public Offer is subject to adjustment on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deems appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then up to 12,500,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer may be increased to 25,000,000 Shares, representing 20% of the Offer Shares initially available for subscription under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 37,500,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 62,500,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Share Offer;

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- (b) Where the Placing Shares are not fully subscribed or oversubscribed:
- (i) if the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 12,500,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer may be increased to 25,000,000 Shares, representing 20% of the Offer Shares initially available for subscription under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (A) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above, or (B) the Placing Shares are not fully subscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.0 per Offer Share) stated in this prospectus.

In addition, the Joint Global Coordinators may in its discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be available under the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 25,000,000 Offer Shares).

For reallocation of Offer Shares from the Placing to the Public Offer, the number of Offer Shares allocated to the Placing will correspondingly be reduced and such additional Public Offer Shares will be allocated equally between pool A and pool B.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant to the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) the Over-allotment Option which will expire on a date which is the 30th day after the last date of lodging application under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) to allot and issue up to and not more than 18,750,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share

STRUCTURE OF THE SHARE OFFER

Offer) at the Offer Price to cover over-allocations in the Placing. The Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Brilliant League or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 18,750,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Share Offer, the Stabilising Manager or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 18,750,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Brilliant League or through a combination of these means or otherwise. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

STRUCTURE OF THE SHARE OFFER

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Stabilising Manager (for itself and on behalf of the Underwriters) may take all or any of the following actions (“**primary stabilising action**”) with respect to any Shares during the stabilisation period, which should end on 2 December 2020, being the 30th day after the last date for lodging application under the Public Offer:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Stabilising Manager (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares:
 - (i) allocate a greater number of Shares than the number that is initially offered under the Share Offer; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
 - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
 - (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

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Investors should be aware:

- that the Stabilising Manager (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Stabilising Manager;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last date for the lodging of applications under the Public Offer on 2 December 2020, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Stabilising Manager may over-allocate up to and not more than an aggregate of 18,750,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilising Manager may borrow up to 18,750,000 Shares from Brilliant League, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the stock borrowing agreement to be entered into with Brilliant League.

STRUCTURE OF THE SHARE OFFER

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Brilliant League will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to Brilliant League or its nominees (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full; the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Brilliant League in relation to such stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on 11 November 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 11 November 2020. The Shares will be traded in board lots of 2,000 Shares each under the stock code 1351.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **White** or **Yellow** Application Form;
- apply online via the **HK eIPO White Form** Service Provider at www.hkeipo.hk or the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **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 Public Offer Shares on a **White** or **Yellow** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the names of the individual members. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorised under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions if it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** Service Provider for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **White** Application Form or apply online through www.hkeipo.hk or the **IPO App**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **Yellow** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **White** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 October 2020 to 12:00 noon on Monday, 2 November 2020 from:

- (a) any of the following offices of the Public Offer Underwriters:

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Alpha International Securities (HONG KONG) Limited

Room 10, 9/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Orient Securities (Hong Kong) Limited

28th & 29th Floor
100 Queen's Road Central, Central
Hong Kong

(b) any of the following branches of CMB Wing Lung Bank Limited:

District	Branch Name	Address
Hong Kong Island	Head office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **Yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 October 2020 until 12:00 noon on Monday, 2 November 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **White** or **Yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**CMB WING LUNG (NOMINEES) LIMITED — BRIGHT FUTURE TECHNOLOGY HOLDINGS LIMITED PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 28 October 2020 – 9:00 a.m. to 5:00 p.m.
Thursday, 29 October 2020 – 9:00 a.m. to 5:00 p.m.
Friday, 30 October 2020 – 9:00 a.m. to 5:00 p.m.
Saturday, 31 October 2020 – 9:00 a.m. to 1:00 p.m.
Monday, 2 November 2020 – 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 2 November 2020, the last application day or such later time as described in the paragraphs headed “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** Service Provider, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents

HOW TO APPLY FOR PUBLIC OFFER SHARES

any personal data which they may require about you and the person(s) for whose benefit you have made the application;

- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the Laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public 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;
- (p) understand that, if (i) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times of the number of Offer Shares initially available under the Public Offer; or (ii) the Placing Shares are not fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed, the Joint Global Coordinators may, at their discretion, reallocate the Offer Shares initially allocated from the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the total number of Offer Shares available under the Public Offer shall not be increased to more than 25,000,000 Shares, representing double the number of Offer Shares initially available under the Public Offer and 20% of the Offer Shares initially available for subscription under the Share Offer, and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.0 per Offer Share) stated in this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (q) 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;
- (r) understand that our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (s) (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
- (t) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING BY USING HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraphs headed “2. Who can apply” in this 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 designated website at **www.hkeipo.hk** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at **www.hkeipo.hk** or the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or the **IPO App**, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk or the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 28 October 2020 until 11:30 a.m. on Monday, 2 November 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 2 November 2020 or such later time under the paragraphs headed “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, 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 Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** 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).

Environmental Protection

The obvious advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Sole Sponsor encourage you to utilise this application channel should you desire the Public Offer Shares to be issued under your own name.

HOW TO APPLY FOR PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **White** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **White** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- **agree** to accept the Public Offer Shares applied for or any lesser number allocated;
- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if electronic applications are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with 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 Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **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 Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- **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
- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **White** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for inputting electronic application instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 28 October 2020 – 9:00 a.m. to 8:30 p.m.
Thursday, 29 October 2020 – 8:00 a.m. to 8:30 p.m.
Friday, 30 October 2020 – 8:00 a.m. to 8:30 p.m.
Saturday, 31 October 2020 – 8:00 a.m. to 1:00 p.m.
Monday, 2 November 2020 – 8:00 a.m. to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 28 October 2020 until 12:00 noon on Monday, 2 November 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 2 November 2020, the last application day or such later time as described in the paragraphs headed “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)

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 Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public 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 Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers 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 Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection with 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 Monday, 2 November 2020.

8. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 **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:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **White** and **Yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **White** or **Yellow** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk or the **IPO App**.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR PUBLIC OFFER SHARES

For further details on the Offer Price, see the section headed “Structure of the Share Offer – Determination of the Offer Price” of this prospectus.

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:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- extreme conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 2 November 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 in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 2 November 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” of this prospectus, 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 Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 10 November 2020 on our Company’s website at www.btomorrow.cn, and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.btomorrow.cn, and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 10 November 2020;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result (alternatively: www.hkeipo.hk/IPOResult or from “Allotment Result” function in the **IPO App**) with a “search by ID/Business Registration Number” function on a 24-hour basis from 8:00 a.m. on Tuesday, 10 November 2020 to 12:00 midnight on Monday, 16 November 2020;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- by telephone enquiry line by calling **(852) 3691 8488**, between 9:00 a.m. and 6:00 p.m. from Tuesday, 10 November 2020 to Friday, 13 November 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 10 November 2020 to Thursday, 12 November 2020 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer" of 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 THE PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **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.

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If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider or our or their respective agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and our or 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 Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website or the **IPO App**;

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- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.1 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer – Conditions of the Share Offer" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 10 November 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (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 Offer Shares. No receipt will be issued for sums paid on application. If you apply by **White** or **Yellow** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **Yellow** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully

HOW TO APPLY FOR PUBLIC OFFER SHARES

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, the 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 despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 10 November 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 Wednesday, 11 November 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of 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

(a) If you apply using a White Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch 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 Tuesday, 10 November 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 10 November 2020, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) If you apply using a Yellow Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 10 November 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 Tuesday, 10 November 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(d) 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 Public Offer in the manner described in the paragraphs headed "11. 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 Tuesday, 10 November 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(e) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Branch 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 Tuesday, 10 November 2020, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 10 November 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 despatched 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 despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(f) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- 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 Tuesday, 10 November 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraphs headed "11. Publication of results" above on Tuesday, 10 November 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 10 November 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 10 November 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- 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 Tuesday, 10 November 2020.

15. ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer 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 Offer 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 Offer Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BRIGHT FUTURE TECHNOLOGY HOLDINGS LIMITED AND MESSIS CAPITAL LIMITED

Introduction

We report on the historical financial information of Bright Future Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-57, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 April 2020, and the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 April 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 October 2020 (the "Prospectus") in connection with the share offer of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 2019 and 30 April 2020 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 April 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with 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 Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by Bright Future Technology Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
28 October 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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 stated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
	Note	2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	6	102,570	254,915	281,934	77,221	115,238
Cost of services	7	(63,024)	(175,056)	(200,536)	(54,950)	(75,270)
Gross profit		<u>39,546</u>	<u>79,859</u>	<u>81,398</u>	<u>22,271</u>	<u>39,968</u>
Selling and distribution expenses	7	(507)	(3,171)	(4,051)	(1,072)	(871)
General and administrative expenses	7	(7,993)	(30,990)	(32,966)	(10,353)	(13,169)
Net impairment losses on financial assets		(80)	(313)	(1,086)	(319)	(323)
Other gains, net	8	–	–	1,956	139	1,312
Operating profit		<u>30,966</u>	<u>45,385</u>	<u>45,251</u>	<u>10,666</u>	<u>26,917</u>
Finance income	10	8	29	40	6	16
Finance costs	10	(114)	(338)	(563)	(463)	(280)
Finance costs – net		(106)	(309)	(523)	(457)	(264)
Profit before income tax		<u>30,860</u>	<u>45,076</u>	<u>44,728</u>	<u>10,209</u>	<u>26,653</u>
Income tax expense	11	–	(2,690)	(6,294)	(1,398)	(2,377)
Profit for the year/period		<u><u>30,860</u></u>	<u><u>42,386</u></u>	<u><u>38,434</u></u>	<u><u>8,811</u></u>	<u><u>24,276</u></u>
Profit attributable to:						
Owners of the Company		<u><u>30,860</u></u>	<u><u>42,386</u></u>	<u><u>38,434</u></u>	<u><u>8,811</u></u>	<u><u>24,276</u></u>
Other comprehensive (loss)/income, net of tax						
Items that may be reclassified to profit or loss						
Exchange differences on translation of foreign operations		<u>–</u>	<u>(32)</u>	<u>11</u>	<u>(10)</u>	<u>49</u>
Total comprehensive income for the year/period		<u><u>30,860</u></u>	<u><u>42,354</u></u>	<u><u>38,445</u></u>	<u><u>8,801</u></u>	<u><u>24,325</u></u>
Total comprehensive income attributable to:						
Owners of the Company		<u><u>30,860</u></u>	<u><u>42,354</u></u>	<u><u>38,445</u></u>	<u><u>8,801</u></u>	<u><u>24,325</u></u>
Earnings per share						
– Basic and diluted (expressed in RMB per share)	12	<u><u>39.56</u></u>	<u><u>54.34</u></u>	<u><u>48.41</u></u>	<u><u>11.15</u></u>	<u><u>30.50</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at
	Note	2017	2018	2019	30 April
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	791	2,386	5,587	4,837
Intangible assets	15	370	235	107	87
Deposits	17	740	630	476	425
Deferred income tax assets	18	–	–	1,662	1,709
Total non-current assets		<u>1,901</u>	<u>3,251</u>	<u>7,832</u>	<u>7,058</u>
Current assets					
Trade receivables	17	56,013	162,066	223,379	277,117
Deposits, prepayments and other receivables	17	19,651	70,975	82,356	84,298
Financial assets at fair value through profit or loss ("FVPL")		–	–	204	207
Cash and cash equivalents	19	<u>8,995</u>	<u>12,182</u>	<u>23,805</u>	<u>12,569</u>
Total current assets		<u>84,659</u>	<u>245,223</u>	<u>329,744</u>	<u>374,191</u>
Total assets		<u><u>86,560</u></u>	<u><u>248,474</u></u>	<u><u>337,576</u></u>	<u><u>381,249</u></u>
LIABILITIES					
Non-current liabilities					
Borrowings	20	4,672	3,709	–	–
Lease liabilities	23	–	716	2,537	1,954
Total non-current liabilities		<u>4,672</u>	<u>4,425</u>	<u>2,537</u>	<u>1,954</u>
Current liabilities					
Borrowings	20	–	5,157	30,501	35,114
Trade payables	21	31,467	110,453	115,551	137,114
Other payables and accruals	22	3,527	18,099	25,786	26,051
Contract liabilities	6	10,320	23,717	24,631	16,382
Lease liabilities	23	421	1,236	1,815	1,807
Current income tax liabilities		–	2,488	7,921	9,668
Total current liabilities		<u>45,735</u>	<u>161,150</u>	<u>206,205</u>	<u>226,136</u>
Total liabilities		<u><u>50,407</u></u>	<u><u>165,575</u></u>	<u><u>208,742</u></u>	<u><u>228,090</u></u>
EQUITY					
Share capital	24	–	69	70	70
Reserves	25	6,716	17,575	28,667	28,716
Retained earnings	26	<u>29,437</u>	<u>65,255</u>	<u>100,097</u>	<u>124,373</u>
Total equity		<u><u>36,153</u></u>	<u><u>82,899</u></u>	<u><u>128,834</u></u>	<u><u>153,159</u></u>
Total equity and liabilities		<u><u>86,560</u></u>	<u><u>248,474</u></u>	<u><u>337,576</u></u>	<u><u>381,249</u></u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at 31 December		As at
		2018	2019	30 April
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Interests in subsidiaries	30	90,934	97,205	97,308
Total non-current assets		90,934	97,205	97,308
Current assets				
Prepayments and other receivables	17	309	6,031	7,387
Total current assets		309	6,031	7,387
Total assets		91,243	103,236	104,695
LIABILITIES				
Current liabilities				
Other payables	22	8,344	25,294	30,782
Total current liabilities		8,344	25,294	30,782
Total liabilities		8,344	25,294	30,782
EQUITY				
Share capital	24	69	70	70
Reserves	25	94,295	101,767	101,767
Accumulated losses	26	(11,465)	(23,895)	(27,924)
Total equity		82,899	77,942	73,913
Total equity and liabilities		91,243	103,236	104,695

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital	Reserves	Retained earnings	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 24)</i>	<i>(Note 25)</i>	<i>(Note 26)</i>	
Balance at 1 January 2017	–	1,296	1,548	2,844
Profit for the year	–	–	30,860	30,860
Total comprehensive income for the year	–	–	30,860	30,860
Transactions with owners:				
Capital contribution from the Controlling Shareholders	–	2,000	–	2,000
Capital contribution from shareholders' interest-free loans	–	449	–	449
Appropriation for surplus reserve	–	2,971	(2,971)	–
Balance at 31 December 2017	–	6,716	29,437	36,153
Balance at 1 January 2018	–	6,716	29,437	36,153
Profit for the year	–	–	42,386	42,386
Other comprehensive loss	–	(32)	–	(32)
Total comprehensive income for the year	–	(32)	42,386	42,354
Transactions with owners:				
Capital contribution from shareholders' interest-free loans	–	355	–	355
Issuance of ordinary share capital to the shareholders of the Company in connection with the Reorganisation	69	–	–	69
Capital contribution from shareholders of the Company	–	30,598	–	30,598
Appropriation for surplus reserve	–	6,568	(6,568)	–
Contribution from shareholder of the companies now comprising the Group	–	3,430	–	3,430
Deemed distributions to the shareholders of the Company	–	(30,060)	–	(30,060)
Balance at 31 December 2018	69	17,575	65,255	82,899

	Attributable to owners of the Company			
	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 24)	(Note 25)	(Note 26)	
Balance at 1 January 2019	69	17,575	65,255	82,899
Profit for the year	–	–	38,434	38,434
Other comprehensive income	–	11	–	11
Total comprehensive income for the year	–	11	38,434	38,445
Transactions with owners:				
Issuance of shares to shareholders of the Company	1	7,472	–	7,473
Capital contribution from shareholders' interest-free loans	–	177	–	177
Appropriation for surplus reserve	–	3,592	(3,592)	–
Capital distribution from repayment of shareholders' interest-free loans	–	(160)	–	(160)
Balance at 31 December 2019	<u>70</u>	<u>28,667</u>	<u>100,097</u>	<u>128,834</u>
(Unaudited)				
Balance at 1 January 2019	69	17,575	65,255	82,899
Profit for the period	–	–	8,811	8,811
Other comprehensive loss	–	(10)	–	(10)
Total comprehensive income for the period	–	(10)	8,811	8,801
Transactions with owners:				
Issuance of shares to shareholders of the company	1	7,472	–	7,473
Capital contribution from shareholders' interest-free loans	–	(139)	–	(139)
Balance at 30 April 2019	<u>70</u>	<u>24,898</u>	<u>74,066</u>	<u>99,034</u>
Balance at 1 January 2020	70	28,667	100,097	128,834
Profit for the period	–	–	24,276	24,276
Other comprehensive income	–	49	–	49
Total comprehensive income for the period	–	49	24,276	24,325
Balance at 30 April 2020	<u>70</u>	<u>28,716</u>	<u>124,373</u>	<u>153,159</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Four months ended	
					30 April	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	27	3,111	(471)	(9,351)	5,117	(14,678)
Interest received		8	29	40	6	16
Income taxes paid		—	(202)	(2,897)	(207)	(435)
Net cash generated from/(used in) operating activities		3,119	(644)	(12,208)	4,916	(15,097)
Cash flows from investing activities						
Payments for purchase of property, plant and equipment		(420)	(234)	(1,204)	(73)	(20)
Payments for purchase of FVPL		—	—	(200)	—	—
Net cash used in investing activities		(420)	(234)	(1,404)	(73)	(20)
Cash flows from financing activities						
Capital contribution from the Controlling Shareholders	25	2,000	—	—	—	—
Capital contribution from shareholders' interest-free loans	25	449	355	177	—	—
Capital contribution from shareholders of the Company	25	—	30,667	6,042	6,042	—
Deemed distributions to the shareholders of the Company	25	—	(30,060)	—	—	—
Proceeds from borrowings		4,617	3,908	35,696	4,289	5,700
Capital distribution by repayment of shareholders' interest-free loans		—	—	(160)	(139)	—
Repayment of borrowings		(1,490)	—	(14,457)	(7,618)	(1,333)
Lease payments (including interest paid)		(559)	(773)	(2,159)	(523)	(487)
Net cash generated from financing activities		5,017	4,097	25,139	2,051	3,880
Net increase/(decrease) in cash and cash equivalents		7,716	3,219	11,527	6,894	(11,237)
Cash and cash equivalents at beginning of the year/period		1,279	8,995	12,182	12,182	23,805
Effects of exchange rate changes on cash and cash equivalents		—	(32)	96	(8)	1
Cash and cash equivalents at the end of the year/period	19	<u>8,995</u>	<u>12,182</u>	<u>23,805</u>	<u>19,068</u>	<u>12,569</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Bright Future Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of mobile advertising services (the “Listing Business”) in the People’s Republic of China (the “PRC”). The controlling shareholders of the Group are Mr. Dong Hui (“Mr. Dong”) and Mr. Yang Dengfeng (“Mr. Yang”) (together the “Controlling Shareholders”).

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the Listing Business was operated by Shenzhen Bright Future Technology Company Limited (“Shenzhen Bright Future”) and its PRC subsidiaries (collectively, the “Operating Companies”).

For the purpose of preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation pursuant to which the Listing Business was transferred to the Company. The Reorganisation involved the followings:

- (i) On 28 September 2018, Dragon Hero Corporation Limited (“Dragon Hero”) was incorporated under the laws of Hong Kong with limited liability, and one share of Dragon Hero, was issued and allotted to GRL 18 Nominee Limited at HKD1.00, representing the entire equity interest which was subsequently transferred to Mr. Dong on 6 November 2018.
- (ii) On 9 October 2018, FONG DE LIMITED (“Fong De”) was established in the British Virgin Islands (“BVI”) with limited liability. On 14 November 2018, 100 shares of Fong De were allotted and issued to the Company. Since the same date, the said transfer was properly and legally completed and settled, and Fong De then became the wholly-owned subsidiary of the Company.
- (iii) On 25 October 2018, Huzhou Bright Future Technology Company Limited (“Huzhou Bright Future”) was established as a limited company in the PRC. The initial registered share capital of Huzhou Bright Future was approximately RMB30,060,000, which was owned as to 67% and 33% by Mr. Dong and Mr. Yang, respectively.
- (iv) On 5 November 2018, the registered share capital of Huzhou Bright Future was fully paid by Mr. Dong and Mr. Yang in the way of transferring 67% and 33% of their respective equity interest in Shenzhen Bright Future in favour of Huzhou Bright Future. On 6 November 2018, Mr. Yang transferred 1% of the equity interest of Huzhou Bright Future to Mr. Zhu Jun (“Mr. Zhu”), a third party investor, at a consideration of approximately RMB301,000.
- (v) On 8 November 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of USD50,000 dividend into 50,000 shares of USD1.00 each. 6,700 ordinary shares were issued to BRILLIANT LEAGUE LIMITED (“Brilliant League”), a company incorporated in the BVI with limited liability on 25 April 2018, which is wholly owned by Mr. Dong. 3,300 ordinary shares were issued to HIGHLAND TRIUMPH LIMITED (“Highland Triumph”), a company incorporated in the BVI with limited liability on 28 May 2018, which is wholly owned by Mr. Yang. On 26 November 2018, Highland Triumph transferred 100 ordinary shares to City Energy Holdings Limited (“City Energy”), a company incorporated in the BVI with limited liability on 19 October 2004, which is wholly owned by Mr. Zhu. The total amount of shares issued did not change.
- (vi) On 22 November 2018, the entire equity interest of Dragon Hero was transferred from Mr. Dong to Fong De. Since then, Dragon Hero became the indirectly wholly owned subsidiary of the Company.

- (vii) On 14 December 2018, Mr. Dong, Mr. Yang and Mr. Zhu transferred the entire equity interest of Huzhou Bright Future to Dragon Hero at a consideration of approximately RMB30,060,000. The cash contribution from shareholders of the Company amounting to RMB 30,667,000 was accounted for as capital contribution from the shareholders of the Company. Upon completion of the aforesaid transfers, Huzhou Bright Future together with its subsidiaries became the Company's indirectly wholly owned subsidiaries.
- (viii) On 12 February 2019, City Energy and the Company entered into a share subscription agreement pursuant to which City Energy agreed to subscribe, and the Company agreed to allot and issue 200 new shares at HKD7,000,000 (equivalent to approximately RMB6,042,000).
- (ix) The par value of the shares of the Company was redenominated to HKD0.10 each on 8 April 2019 pursuant to the resolutions of the shareholders of the Company. On the same date, 10,200 shares, issued at a par value of USD1.00 each were repurchased, and 522,600 shares, 249,600 shares and 23,400 shares issued at a par value of HKD0.10 each were allotted and issued to Brilliant League, Highland Triumph and City Energy, respectively. After the redenomination, the number of shares of the Company was 795,600.

Upon completion of the Reorganisation on 14 December 2018, the Company became the ultimate holding company of the companies now comprising the Group. As at the date of this report and during the Track Record Period, the Company has direct and indirect interests in the following subsidiaries:

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Percentage of attributable equity interest					Principal activities	Notes	
			As at 2017	As at 2018	As at 2019	As at 2020	As at the date of this report			
Directly owned:										
Fong De (“芳德有限公司”)	BVI/ 9 October 2018	USD100	NA	100%	100%	100%	100%	Investment holding	(ii)	
Indirectly owned:										
Dragon Hero (“英龍有限公司”)	Hong Kong/ 28 September 2018	HKD2	NA	100%	100%	100%	100%	Investment holding	(ii)	
Huzhou Bright Future (“湖州輝煌明天科技有限公司”)	The PRC/ 25 October 2018	RMB 30,059,800	NA	100%	100%	100%	100%	Investment holding & mobile advertising services	(v)	
Shenzhen Bright Future (“深圳輝煌明天科技有限公司”)	The PRC/ 28 December 2015	RMB 3,000,000	100%	100%	100%	100%	100%	Investment holding & mobile advertising services	(iii)	
Shenzhen Lindu Technology Company Limited (“深圳鄰度科技有限公司”, “Shenzhen Lindu”)	The PRC/ 19 September 2014	RMB 5,000,000	100%	100%	100%	100%	100%	Mobile advertising services	(iv)	
Khorgas Velocity Network Technology Company Limited (“霍爾果斯光速網絡科技有限公司”, “Khorgas Velocity Network”)	The PRC/ 12 September 2017	RMB 3,000,000	100%	100%	100%	100%	100%	Mobile advertising services	(ii)	

Notes:

- (i) All companies comprising the Group have adopted 31 December as their financial year end date.
- (ii) No statutory audited financial statements were issued for these companies as there is no statutory requirement in their respective places of incorporation.
- (iii) The PRC statutory financial statements of Shenzhen Bright Future for the year ended 31 December 2017 was audited by Shenzhen Pengsheng Certified Public Accountants (General Partnership) (“深圳鵬盛會計師事務所(普通合夥)”), and for the years ended 31 December 2018 and 2019 were audited by Shenzhen Zhongrui Huazheng Certified Public Accountants (“深圳中瑞華正會計師事務所”).
- (iv) The PRC statutory financial statements of Shenzhen Lindu for the year ended 31 December 2017 was audited by Shenzhen Pengsheng Certified Public Accountants (General Partnership) (“深圳鵬盛會計師事務所(普通合夥)”) and for the years ended 31 December 2018 and 2019 were audited by Shenzhen Zhongrui Huazheng Certified Public Accountants (“深圳中瑞華正會計師事務所”).
- (v) The PRC statutory financial statements of Huzhou Bright Future for the year ended 31 December 2019 was audited by Huzhou Jinping Certified Public Accountants (“湖州金平會計師事務所”).

The English names of the subsidiaries represent the best effort by the Company's management to translate their Chinese names, as these subsidiaries do not have official English names.

1.3 Basis of presentation

Immediately prior to the Reorganisation, the Listing Business has been conducted through the Operating Companies. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company and the newly incorporated companies have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the Controlling Shareholders of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted through the Company, with the assets, liabilities and operating results of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented from the Listing Business perspective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention as modified by certain financial assets measured at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2020, are consistently applied to the Group throughout the Track Record Period.

The Group has early adopted Amendments to HKFRS 16 “COVID-19 Related Rent Concession” from 1 January 2020 in order to apply practical expedient on rent concession related to COVID-19 that is effective on or after 1 June 2020. The rent concession received by the Group related to COVID-19 for the four months ended 30 April 2020 amounted to RMB200,000.

Amendments to HKFRS 16 “COVID-19-related rent concessions” allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- 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;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing this Historical Financial Information. None of these is expected to have a significant effect on the Historical Financial Information of the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Cost of fulfilling a contract	1 January 2022
Annual improvements	Annual improvements make minor amendments to HKFRS 1, ‘First-time Adoption of HKFRS’, HKFRS 9, ‘Financial instruments’, HKAS 41, ‘Agriculture’, and the Illustrative Examples accompanying HKFRS 16, ‘Lease’	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group’s operation. The Group considers that the application of amendments to HKFRSs, amendments to HKASs and the new interpretations is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure in the future.

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Business combinations

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previously held equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs includes expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and right-of-use assets – leased properties, the shorter lease term as follows:

- | | |
|---|---|
| • Electronic equipment | 3 years |
| • Furniture and fixtures | 5 years |
| • Leasehold improvements | Shorter of estimated useful lives or remaining lease term |
| • Right-of-use assets – leased properties | Shorter of assets' useful life or the lease term |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

2.8 Intangible assets

(a) Software and database

Software and database arise in a business combination are measured at their acquisition-date fair values.

Costs associated with maintaining software and database are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software and database controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software or database so that it will be available for use;
- management intends to complete the software or database, and use or sell it;
- there is an ability to use or sell the software or database;
- it can be demonstrated how the software or database will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software or database are available, and
- the expenditure attributable to the software or database during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software or database include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(b) Research and development expenditures

Research and development expenditures that do not meet the criteria in (a) above are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent period.

(c) Amortisation method and period

The Group amortises intangible assets using the straight-line method over the shorter of the useful life or license period as follows:

- Software and database 5 years

2.9 Impairment of non-financial assets (other than goodwill)

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Investments and other financial assets**(a) Classification**

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(b) Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through OCI are not reported separately from other changes in fair value.

Changes in the fair value of FVPL are recognised in "other gains/(losses), net" in profit or loss as applicable.

(d) Impairment

The Group has trade and other receivables which are financial assets subject to HKFRS 9's expected credit loss model.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 17 for further information about the Group's accounting for trade and other receivables and Note 2.10(d) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits**(a) Pension obligations**

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.19 Share-based payments

Equity-settled share-based payments to non-employee are measured at the fair value of the goods or services received or, if the fair value of the goods or services received cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group obtains the goods or receives the services.

If the identifiable consideration received by the Group is less than the fair value of the equity instruments granted, the difference, being the unidentifiable goods or services received is charged to profit or loss at the grant date.

The Group does not operate any employee share option plan or share award scheme during the Track Record Period.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

2.21 Revenue recognition

The Group provides mobile advertising services to customers in the PRC. Revenue from providing services is recognised when the services are rendered based on the specific terms of the contract.

The Group earns revenue from two different business models including (a) precision advertising services and (b) intermediary services.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15. Such determination involves judgment and is based on an evaluation of the terms of each arrangement as follows:

(a) Precision advertising services

The Group generates revenue from providing comprehensive advertisement placement services to the advertisers. The Group charges the advertisers based on specified action such as download, installation, registration of the mobile device users ("cost per action" or "CPA"), or sales of the advertisers ("cost per sales" or "CPS"), and the costs charged by the media publishers or advertising agents to the Group vary based on CPA, CPS, or the monetary value of virtual tokens which are consumed for procuring advertisement inventories and based on cost per download ("CPD") or cost per click ("CPC").

While none of the factors individually are considered presumptive or determinative, the Group controls the specified service before that service is transferred to a customer and is the principal in this arrangement because (i) the specified service being purchased by the advertiser is a successful acquisition of specific action from the mobile device users or successful sales transaction. The Group is primarily responsible for delivering the specified services to the advertiser. The Group has the discretion to decide which media publishers or advertising agents to use and what types of the advertisements to be placed. The media publishers or advertising agents provide media publishing service to the Group. The Group obtains control of the right to their service and directs that service to be provided on the Group's behalf in order to obtain a successful action from the mobile device user or sales transaction, and has the discretion in determining how much to pay the media publishers or advertising agents based on CPA, CPS, or the monetary value of virtual tokens which are consumed for procuring advertisement inventories and based on CPD or CPC. (ii) In some instances, the Group is subject to certain risk of loss to the extent that the cost paid to the media publishers or advertising agents for clicks or downloads cannot be compensated by the total consideration obtained from the advertisers according to acquisition of specific action or sales transaction. This is similar to inventory risk. (iii) The Group has the latitude to determine the CPA or CPS charged to the advertiser, and the Group's margin varies as the costs incurred to deliver successful action or sales transaction might vary. Therefore the Group reports revenue earned from the advertisers and costs paid to the media publishers or advertising agents related to these transactions on a gross basis.

(b) Intermediary services

In this arrangement, the Group charges the advertisers based on CPC, CPD, cost per time ("CPT"), or cost per mille ("CPM"), which is the same pricing mechanism as how the media publishers or advertising agents charge the Group, and measured by the monetary value of virtual tokens consumed for procuring advertisement inventories. In determination of whether revenue should be reported on a gross or net basis, while none of the factors individually are considered presumptive or determinative, the Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to an advertiser, because (i) the Group does not have the latitude to select media publisher which is designated in the contract with the advertiser; (ii) the media advertisement space is not owned by the Group, and the Group does not have any commitments to purchase the advertising space, and therefore the Group does not have inventory risk; and (iii) the Group charges the advertisers based on CPC, CPD, CPT or CPM, which is the same pricing mechanism that the media publishers or advertising agents charge the Group, and measured by the monetary value of virtual tokens consumed for procuring advertisement inventories, although the Group has discretion in determining the price charged to the advertiser. Therefore, the Group determines it is the agent in the transaction based on the weight of the aforementioned factors.

The Group reports the amount received from the advertisers and the amounts paid to the media publishers or advertising agents related to these transactions on a net basis.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group has a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

2.22 Lease

The Group leases properties. Rental contracts are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance costs. The finance costs is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group and approved by the board of directors.

(a) Market risk

(i) Foreign exchange risk

Instrument used by the Group

The Group is exposed to foreign exchange risk, primarily the HKD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The foreign currency exposure has not been hedged.

Exposure

The Group's exposure to foreign currency risk at the end of each reporting period, expressed in RMB, was as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash	–	640	115	112
Other payables and accruals	–	5,508	7,570	5,846
Borrowing	–	263	3,501	3,614

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in HKD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from HKD denominated cash and payables.

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
HKD/RMB exchange rate – increase (10%)	–	(513)	(1,096)	(935)
HKD/RMB exchange rate – decrease (10%)	–	513	1,096	935

The Group's exposure to other foreign exchange movements is not material.

(ii) Fair value interest rate risk

The Group has no significant interest-bearing assets and liabilities. Therefore, the directors of the Company do not anticipate there is any significant impact resulted from the changes in interest rates.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents placed with banks, trade and other receivables, as well as FVPL. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents and FVPL, the Group only transacts with state-owned or reputable financial institutions in mainland China. There has been no recent history of default in relation to these financial institutions.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the loss allowance provision for trade receivables is disclosed in note 17.

The expected loss rates are based on historical credit losses experience adjusted to reflect current and forward-looking information mentioned above affecting the ability of the customers to settle the receivables. Since the actual loss rates for each type of trade receivables and the adjustments for forward looking macroeconomic data did not have significant change during the years ended 31 December 2017 and 2018, the directors of the Company consider that the change in the expected credit loss rates is insignificant throughout the years ended 31 December 2017 and 2018. For the year ended 31 December 2017, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.00%	0.02%	0.55%	7.25%	62.00%	100.00%

For the year ended 31 December 2018, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.00%	0.02%	0.55%	7.25%	62.00%	100.00%

For the year ended 31 December 2019, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.09%	0.23%	2.10%	7.20%	62.00%	100.00%

For the period ended 30 April 2020, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due
Expected loss rate	0.09%	0.23%	2.10%	7.20%	62.00%	100.00%

During the Track Record Period, receivables from the largest customer amounted to RMB10,716,000, RMB17,671,000, RMB120,718,000 and RMB181,725,000 of the total trade receivables as at 31 December 2017, 2018 and 2019 and 30 April 2020. The remaining receivables were from a large number of customers.

During the year ended 31 December 2019 and period ended 30 April 2020, the Group entered into factoring arrangements to increase liquidity by transferring certain trade receivables due from a customer to a commercial bank in mainland China and these trade receivables were derecognised due to the transfer of risks and rewards to the commercial bank.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the senior management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2017				
Borrowings	–	5,066	–	5,066
Trade payables	31,467	–	–	31,467
Other payables and accruals (excluding payroll and welfare payables and other tax payable)	487	–	–	487
Lease liabilities	434	–	–	434
	<u>32,388</u>	<u>5,066</u>	<u>–</u>	<u>37,454</u>
At 31 December 2018				
Borrowings	5,329	4,000	–	9,329
Trade payables	110,453	–	–	110,453
Other payables and accruals (excluding payroll and welfare payables and other tax payable)	8,709	–	–	8,709
Lease liabilities	1,333	731	–	2,064
	<u>125,824</u>	<u>4,731</u>	<u>–</u>	<u>130,555</u>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2019				
Borrowings	30,583	–	–	30,583
Trade payables	115,551	–	–	115,551
Other payables and accruals (excluding payroll and welfare payables and other tax payable)	15,452	–	–	15,452
Lease liabilities	2,107	1,912	768	4,787
	<u>163,693</u>	<u>1,912</u>	<u>768</u>	<u>166,373</u>
At 30 April 2020				
Borrowings	35,114	–	–	35,114
Trade payables	137,114	–	–	137,114
Other payables and accruals (excluding payroll and welfare payables and other tax payable)	18,365	–	–	18,365
Lease liabilities	2,027	1,893	150	4,070
	<u>192,620</u>	<u>1,893</u>	<u>150</u>	<u>194,663</u>

At 31 December 2017, 2018 and 2019 and 30 April 2020, the Group had net current assets of RMB38,924,000, RMB84,073,000 and RMB123,539,000 and RMB148,055,000, respectively. Therefore, the directors of the Group is of the opinion that the Group has sufficient cash flows to manage its liquidity risks.

Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2018			
Other payables	<u>8,344</u>	<u>–</u>	<u>8,344</u>
At 31 December 2019			
Other payables	<u>25,294</u>	<u>–</u>	<u>25,294</u>
At 30 April 2020			
Other payables	<u>30,782</u>	<u>–</u>	<u>30,782</u>

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (Note 27(c)) divided by total equity.

The gearing ratios at 31 December 2017, 2018 and 2019 and 30 April 2020 were as follows:

	As at 31 December			As at 30 April 2020
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Net (cash)/debt (<i>Note 27(c)</i>)	(3,902)	(1,364)	10,844	26,099
Total equity	36,153	82,899	128,834	153,159
Net (cash)/debt to equity ratio	(10.8%)	(1.6%)	8.4%	17.0%

In the opinion of the directors, the Group's capital risk is low.

3.3 Fair value estimation

The Group's financial instruments are carried at fair value as at balance sheet dates, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Group had financial assets measured at fair value representing wealth management products purchased from a reputable bank in China, that are at level 3 hierarchy, amounting to nil, nil, RMB204,000 and RMB207,000. The directors of the Group were of the view that these financial assets and their fair value movement were immaterial to the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Gross versus net assessment in revenue recognition

As disclosed in Note 2.21, the Group provides mobile advertising services to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal versus agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to: (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; (c) whether the entity has discretion in establishing the prices for the specified service; and (d) whether the entity has discretion in selecting suppliers. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on different circumstances.

(b) Impairment for trade receivables

Management assesses the impairment of trade receivables according to the trade receivables' aging, management's prior experiences and customers' conditions as well as applying management's judgments and estimates when determining the impairment to be recognised. The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade receivables.

(c) Income taxes

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

5. SEGMENT INFORMATION

The Group is principally engaged in the provision of mobile advertising services in the PRC. For the purpose of resources allocation and performance assessment, the CODM focuses on the operating results of the Group as a whole. As a result, the CODM considers that the Group's business is operated and managed as a single reportable segment and accordingly no segment information is presented.

6. REVENUE

Revenue mainly comprises of proceeds from providing mobile advertising services. The Group acts as the principal for precision advertising services, whereas the Group acts as the agent for intermediary services. The analysis of the Group's revenue by category for the years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2019 and 2020 was as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Precision advertising services – Gross method	80,959	210,656	236,086	65,735	92,268
Intermediary services – Net method	21,611	44,259	45,848	11,486	22,970
	<u>102,570</u>	<u>254,915</u>	<u>281,934</u>	<u>77,221</u>	<u>115,238</u>

The analysis of revenue from contracts with customers by the timing of revenue recognition for the years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2019 and 2020 was as follows:

	Year ended 31 December			Four months ended 30 April	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
At a point in time	102,570	254,915	281,934	77,221	115,238

(a) **Assets recognised from incremental costs to obtain contracts**

During the years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2019 and 2020, there was no significant incremental costs incurred to obtain contracts.

(b) **Contract liabilities**

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December			As at
	2017 RMB'000	2018 RMB'000	2019 RMB'000	30 April 2020 RMB'000
Contract liabilities	10,320	23,717	24,631	16,382

(i) **Significant changes in contract liabilities**

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

(ii) **Revenue recognised in relation to contract liabilities**

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December			Four months ended 30 April	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period	734	10,320	20,430	8,244	12,237

(c) **Transaction price allocated to unsatisfied long-term contract**

The Group has no revenue contract that has an original expected duration more than one year, thus management applied practical expedient under HKFRS 15 and are not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially unsatisfied at the end of each reporting period.

7. EXPENSES BY NATURE

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Advertising traffic costs	61,472	167,674	187,327	51,771	71,881
Employee benefit expenses (Note 9)	7,237	20,852	29,025	7,258	9,490
Listing expenses	–	8,033	11,084	3,241	4,036
Depreciation and amortisation (Note 14, 15)	748	1,026	2,396	590	590
Share-based payment expenses – non employee (i)	–	3,430	1,430	1,430	–
Office expenses	547	721	1,159	481	204
Consultancy fees	–	2,189	1,118	642	238
Travelling expenses	185	955	971	318	326
Short-term lease expenses	285	1,199	856	310	437
Server charges and IT fees	79	1,174	610	128	909
Auditors' remuneration	60	143	78	–	52
Others	911	1,821	1,499	206	1,147
	<u>71,524</u>	<u>209,217</u>	<u>237,553</u>	<u>66,375</u>	<u>89,310</u>
Total cost of services, selling and distribution expenses, and general and administrative expenses	<u>71,524</u>	<u>209,217</u>	<u>237,553</u>	<u>66,375</u>	<u>89,310</u>

- (i) Share-based payment expenses – non employee for the year ended 31 December 2018 and 2019 and four months ended 30 April 2019 represented:

Pursuant to the share purchase agreement signed on 6 November 2018 and as part of the Reorganisation, Mr. Zhu acquired 1% equity interest of Huzhou Bright Future in November 2018 from an existing shareholder, Mr. Yang, for cash consideration of approximately RMB301,000. The fair value of the equity interest transferred exceeded the cash consideration received and the difference amounting to approximately RMB3,430,000 was charged to profit or loss during the year ended 31 December 2018, given no vesting condition exists.

Pursuant to the share subscription agreement signed on 12 February 2019 and as part of the Reorganisation, City Energy acquired 2% equity interest of the Company in February 2019, for cash consideration of HKD7,000,000 (equivalent to approximately RMB6,042,000). The fair value of the equity interest issued to City Energy exceeded the cash consideration received and the difference amounting to approximately RMB1,430,000 was charged to profit or loss during the year ended 31 December 2019, given no vesting condition exists.

- (ii) During the years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2019 and 2020, the Group incurred expenses for the purpose of research and development of approximately RMB6,197,000, RMB13,178,000, RMB11,223,000, RMB2,886,000 (unaudited) and RMB6,609,000 respectively.

8. OTHER GAINS, NET

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Value added tax ("VAT") refunds	–	–	2,174	139	1,309
Fair value gains on FVPL	–	–	4	–	3
Net losses on disposal of property, plant and equipment	–	–	(222)	–	–
	–	–	1,956	139	1,312

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages, and bonuses	5,930	16,681	23,384	5,667	8,322
Pension costs – defined contribution plans	678	1,535	2,362	705	238
Other social security costs, housing benefits and other employee benefits	629	2,636	3,279	886	930
	7,237	20,852	29,025	7,258	9,490

(a) Five highest paid individual

The five individuals whose emoluments were the highest in the Group include nil, 1, 1, 1 and 1 director for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 respectively, and their emoluments are reflected in the analysis shown in Note 31. The emoluments payable to the remaining 5, 4, 4, 4 and 4 individuals for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 are as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages, and bonuses	1,450	2,269	2,144	591	720
Pension costs – defined contribution plans	152	166	145	43	10
Other social security costs, housing benefits and other employee benefits	266	232	156	38	34
	1,868	2,667	2,445	672	764

The emoluments fell within the following bands:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
				(unaudited)	
Emoluments bands:					
Nil to HKD1,000,000 (equivalent to approximately nil to RMB911,000)	5	4	4	4	4

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020.

10. FINANCE COSTS – NET

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<i>Finance income</i>					
Interest income from bank deposits	8	29	40	6	16
<i>Finance costs</i>					
Interest expenses	(114)	(338)	(563)	(463)	(280)
Finance costs – net	(106)	(309)	(523)	(457)	(264)

11. INCOME TAX EXPENSE

(a) Cayman Island and BVI Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(b) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the Track Record Period.

(c) PRC Enterprise Income Tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in the PRC is 25%. Certain subsidiaries of the Group in the PRC have been granted software enterprise status and are entitled to enjoy an income tax exemption for two years beginning with the first profitable year and a 50% reduction for the subsequent three years. 4 years tax free period has been granted by local tax authority to a subsidiary in the PRC.

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax	–	2,690	7,956	1,470	2,424
Deferred income tax (Note 18)	–	–	(1,662)	(72)	(47)
Income tax expense	–	2,690	6,294	1,398	2,377

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before income tax expense	30,860	45,076	44,728	10,209	26,653
Tax calculated at the statutory PRC tax rate of 25%	7,715	11,269	11,182	2,552	6,663
Effects of different tax rates in other jurisdictions	–	2,866	3,144	1,243	1,038
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	(6,922)	(10,036)	(7,546)	(2,119)	(4,348)
Tax losses for which no deferred income tax asset was recognised	–	–	588	182	84
Non-deductible expenses	274	1,011	228	48	72
Super deduction of research and development expenses	(1,067)	(2,420)	(1,302)	(508)	(1,132)
Income tax expense	–	2,690	6,294	1,398	2,377

12. EARNINGS PER SHARE (EXPRESSED IN RMB PER SHARE) – BASIC AND DILUTED**(a) Basic earnings per share**

	Year ended 31 December			Four months ended 30 April	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
Profit attributable to owners of the Company (RMB'000)	30,860	42,386	38,434	8,811	24,276
Weighted average number of ordinary shares in issue (thousand) (Note)	780	780	794	790	796
Basic earnings per share (in RMB)	39.56	54.34	48.41	11.15	30.50

Note: In determining the weighted average number of ordinary shares, the 10,000 shares issued by the Company in connection with the Reorganisation as detailed in Note 24, which was equivalent to 780,000 shares after the redenomination as detailed in Note 1.2, was treated as if it had been in issue prior to the Reorganisation. The shares issued by the Company during the Track Record Period were accounted for at time portion basis. The earnings per share calculation has not taken into account the proposed capitalisation issue of 374,204,400 shares pursuant to the written resolution passed by the shareholders on 16 October 2020 because the proposed capitalisation issue has not become effective as of the date of this report.

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

For the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, the Company had no potential ordinary shares. Accordingly, diluted earnings per share for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 are the same as basic earnings per share.

13. DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020.

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Furniture and fixtures <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Right-of-use assets (Note 23) <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017					
Cost	30	25	8	1,043	1,106
Accumulated depreciation	(1)	(3)	–	(118)	(122)
Net book amount	29	22	8	925	984
Year ended 31 December 2017					
Opening net book amount	29	22	8	925	984
Additions	56	289	75	–	420
Depreciation charge (Note 7)	(14)	(63)	(13)	(523)	(613)
Closing net book amount	71	248	70	402	791
At 31 December 2017					
Cost	86	314	83	1,043	1,526
Accumulated depreciation	(15)	(66)	(13)	(641)	(735)
Net book amount	71	248	70	402	791
Year ended 31 December 2018					
Opening net book amount	71	248	70	402	791
Additions	18	216	–	2,252	2,486
Depreciation charge (Note 7)	(19)	(135)	(17)	(720)	(891)
Closing net book amount	70	329	53	1,934	2,386
At 31 December 2018					
Cost	104	530	83	3,295	4,012
Accumulated depreciation	(34)	(201)	(30)	(1,361)	(1,626)
Net book amount	70	329	53	1,934	2,386
Year ended 31 December 2019					
Opening net book amount	70	329	53	1,934	2,386
Additions	387	301	516	5,440	6,644
Disposals	–	–	(43)	(1,132)	(1,175)
Depreciation charge (Note 7)	(36)	(207)	(45)	(1,980)	(2,268)
Closing net book amount	421	423	481	4,262	5,587
At 31 December 2019					
Cost	491	831	515	6,482	8,319
Accumulated depreciation	(70)	(408)	(34)	(2,220)	(2,732)
Net book amount	421	423	481	4,262	5,587

	Furniture and fixtures <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Right-of-use assets (Note 23) <i>RMB'000</i>	Total <i>RMB'000</i>
Four months ended 30 April 2020					
Opening net book amount	421	423	481	4,262	5,587
Additions	–	20	–	–	20
Depreciation charge (<i>Note 7</i>)	(30)	(86)	(34)	(620)	(770)
Closing net book amount	<u>391</u>	<u>357</u>	<u>447</u>	<u>3,642</u>	<u>4,837</u>
At 30 April 2020					
Cost	491	851	515	6,482	8,339
Accumulated depreciation	<u>(100)</u>	<u>(494)</u>	<u>(68)</u>	<u>(2,840)</u>	<u>(3,502)</u>
Net book amount	<u>391</u>	<u>357</u>	<u>447</u>	<u>3,642</u>	<u>4,837</u>
(Unaudited)					
Four months ended 30 April 2019					
Opening net book amount	70	329	53	1,934	2,386
Additions	16	57	–	585	658
Depreciation charge (<i>Note 7</i>)	(5)	(50)	(2)	(489)	(546)
Closing net book amount	<u>81</u>	<u>336</u>	<u>51</u>	<u>2,030</u>	<u>2,498</u>
At 30 April 2019					
Cost	120	587	83	3,880	4,670
Accumulated depreciation	<u>(39)</u>	<u>(251)</u>	<u>(32)</u>	<u>(1,850)</u>	<u>(2,172)</u>
Net book amount	<u>81</u>	<u>336</u>	<u>51</u>	<u>2,030</u>	<u>2,498</u>

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended 31 December			Four months ended 30 April	
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
				<i>(unaudited)</i>	
Cost of services	277	326	1,436	353	490
Selling and distribution expenses	53	61	143	36	31
General and administrative expenses	<u>283</u>	<u>504</u>	<u>689</u>	<u>157</u>	<u>249</u>
	<u>613</u>	<u>891</u>	<u>2,268</u>	<u>546</u>	<u>770</u>

15. INTANGIBLE ASSETS – GROUP

	Software and database <i>RMB'000</i>
At 1 January 2017	
Cost	539
Accumulated amortisation	(34)
	<u>505</u>
Net book amount	<u><u>505</u></u>
Year ended 31 December 2017	
Opening net book amount	505
Amortisation charge (<i>Note 7</i>)	(135)
	<u>370</u>
Closing net book amount	<u><u>370</u></u>
At 31 December 2017	
Cost	539
Accumulated amortisation	(169)
	<u>370</u>
Net book amount	<u><u>370</u></u>
Year ended 31 December 2018	
Opening net book amount	370
Amortisation charge (<i>Note 7</i>)	(135)
	<u>235</u>
Closing net book amount	<u><u>235</u></u>
At 31 December 2018	
Cost	539
Accumulated amortisation	(304)
	<u>235</u>
Net book amount	<u><u>235</u></u>
Year ended 31 December 2019	
Opening net book amount	235
Amortisation charge (<i>Note 7</i>)	(128)
	<u>107</u>
Closing net book amount	<u><u>107</u></u>
At 31 December 2019	
Cost	539
Accumulated amortisation	(432)
	<u>107</u>
Net book amount	<u><u>107</u></u>

**Software and
database**
RMB'000

Four months ended 30 April 2020

Opening net book amount	107
Amortisation charge (<i>Note 7</i>)	(20)
	<u>87</u>
Closing net book amount	<u><u>87</u></u>

At 30 April 2020

Cost	539
Accumulated amortisation	(452)
	<u>87</u>
Net book amount	<u><u>87</u></u>

(Unaudited)

Four months ended 30 April 2019

Opening net book amount	235
Amortisation charge (<i>Note 7</i>)	(44)
	<u>191</u>
Closing net book amount	<u><u>191</u></u>

At 30 April 2019

Cost	539
Accumulated amortisation	(348)
	<u>191</u>
Net book amount	<u><u>191</u></u>

Amortisation of the Group's intangible asset has been recognised as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
General and administrative expenses	<u>135</u>	<u>135</u>	<u>128</u>	<u>44</u>	<u>20</u>

16. FINANCIAL INSTRUMENTS BY CATEGORY – GROUP

	As at 31 December			As at 30 April 2020
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Financial assets				
Financial assets at amortised cost				
Trade receivables (<i>Note 17</i>)	56,013	162,066	223,379	277,117
Deposits, prepayments and other receivables (excluding prepayments) (<i>Note 17</i>)	2,004	3,860	9,598	9,734
Cash and cash equivalents (<i>Note 19</i>)	8,995	12,182	23,805	12,569
FVPL	–	–	204	207
	<u>67,012</u>	<u>178,108</u>	<u>256,986</u>	<u>299,627</u>
Financial liabilities				
Financial liabilities at amortised cost				
Borrowings (<i>Note 20</i>)	4,672	8,866	30,501	35,114
Trade payables (<i>Note 21</i>)	31,467	110,453	115,551	137,114
Other payables and accruals (excluding payroll and welfare payables and other tax payable) (<i>Note 22</i>)	487	8,709	15,452	18,365
Lease liabilities (<i>Note 23</i>)	421	1,952	4,352	3,761
	<u>37,047</u>	<u>129,980</u>	<u>165,856</u>	<u>194,354</u>

The fair values of the financial instruments approximated their carrying amounts at the end of each reporting period.

17. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

(a) Trade receivables – Group

	As at 31 December			As at 30 April 2020
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Trade receivables-third parties	56,093	162,459	224,858	278,919
Less: Allowance for doubtful debts	<u>(80)</u>	<u>(393)</u>	<u>(1,479)</u>	<u>(1,802)</u>
	<u>56,013</u>	<u>162,066</u>	<u>223,379</u>	<u>277,117</u>

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the trade receivables were denominated in RMB.

Movements on the Group's allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	–	80	393	1,479
Addition	80	313	1,086	323
At the end of the year/period	80	393	1,479	1,802

The Group normally allows a credit period of 30 to 150 days to its customers. Aging analysis of the trade receivables as at 31 December 2017, 2018 and 2019 and 30 April 2020, based on date of recognition, is as follows:

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Aging				
Up to 3 months	53,052	126,155	160,866	199,498
3 to 6 months	1,868	13,241	47,120	51,149
6 months to 1 year	1,173	22,792	11,417	23,785
1 to 2 years	–	271	5,236	3,576
Over 2 years	–	–	219	911
	56,093	162,459	224,858	278,919

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also incorporate forward looking information. The loss allowance provisions as of 31 December 2017, 2018 and 2019 and 30 April 2020 are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due	Total
31 December 2017							
Expected loss rate	0.00%	0.02%	0.55%	7.25%	62.00%	100.00%	
Gross carrying amount	22,500	31,390	1,279	924	–	–	56,093
Loss allowance provision	–	6	7	67	–	–	80
31 December 2018							
Expected loss rate	0.00%	0.02%	0.55%	7.25%	62.00%	100.00%	
Gross carrying amount	66,296	68,079	26,173	1,732	179	–	162,459
Loss allowance provision	–	13	143	126	111	–	393
31 December 2019							
Expected loss rate	0.09%	0.23%	2.10%	7.20%	62.00%	100.00%	
Gross carrying amount	92,787	105,542	20,231	5,840	416	42	224,858
Loss allowance provision	89	246	424	420	258	42	1,479

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due	Total
30 April 2020							
Expected loss rate	0.09%	0.23%	2.10%	7.20%	62.00%	100.00%	
Gross carrying amount	154,953	96,407	22,848	3,735	771	205	278,919
Loss allowance provision	147	224	479	269	478	205	1,802

(b) Deposits, prepayments and other receivables – Group and Company

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
Prepayments to media publishers and advertising agents (i)	18,387	67,436	67,203	67,602
Prepaid listing expenses	–	309	6,031	7,387
Rental and other deposits	1,653	1,384	2,272	1,209
Others	351	2,476	7,326	8,525
	<u>20,391</u>	<u>71,605</u>	<u>82,832</u>	<u>84,723</u>
Less: Non-current rental and other deposits	<u>(740)</u>	<u>(630)</u>	<u>(476)</u>	<u>(425)</u>
	<u>19,651</u>	<u>70,975</u>	<u>82,356</u>	<u>84,298</u>
Company:				
Prepaid listing expenses	<u>–</u>	<u>309</u>	<u>6,031</u>	<u>7,387</u>

- (i) In the normal business arrangement of intermediary services, the Group makes prepayments to media publishers and advertising agents on behalf of certain advertisers before receiving payments from these advertisers.

18. DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority.

The amounts, determined after appropriate offsetting, are shown on the consolidated statements of financial position as follows:

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
– to be recovered more than 12 months	–	–	–	–
– to be recovered within 12 months	–	–	1,662	1,709
	<u>–</u>	<u>–</u>	<u>1,662</u>	<u>1,709</u>

During the Track Record Period, no deferred tax liabilities recognized, thus no offsetting of deferred income tax assets and deferred income tax liabilities, the movement of deferred income tax assets are as follows:

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	–	–	–	1,662
Tax credit to profit or loss	–	–	1,662	47
At end of the year/period	–	–	1,662	1,709

Movement in deferred income tax assets and liabilities during the Track Record Period is as follows:

	Allowance for doubtful debts RMB'000	Deferred government grant RMB'000	Total RMB'000
At 1 January 2017	–	–	–
Credited to profit or loss	–	–	–
As at 31 December 2017	–	–	–
At 1 January 2018	–	–	–
Credited to profit or loss	–	–	–
As at 31 December 2018	–	–	–
At 1 January 2019	–	–	–
Credited to profit or loss	162	1,500	1,662
As at 31 December 2019	162	1,500	1,662
At 1 January 2020	162	1,500	1,662
Credited to profit or loss	47	–	47
As at 30 April 2020	209	1,500	1,709

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. The Group did not recognise deferred income tax assets of nil, nil, RMB588,000, RMB182,000 and RMB672,000 as at 31 December 2017, 2018 and 2019 and 30 April 2019 and 2020 in respect of accumulated tax losses amounting to nil, nil, RMB2,352,000, RMB728,000 and RMB2,688,000 as at 31 December 2017, 2018 and 2019 and 30 April 2019 and 2020 in certain of the Group's subsidiaries, which can be carried forward to offset against future taxable income, all of which will expire in 2024.

As at 31 December 2017, 2018 and 2019 and 30 April 2019 and 2020, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB28,067,000, RMB75,484,000, RMB123,315,000, RMB89,357,000 and RMB151,998,000. Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

19. CASH AND CASH EQUIVALENTS – GROUP

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	26	–	–	–
Cash at bank	8,969	12,182	23,805	12,569
	<u>8,995</u>	<u>12,182</u>	<u>23,805</u>	<u>12,569</u>

Bank balances are denominated in the following currencies:

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	8,969	11,542	23,672	12,441
HKD	–	640	115	112
USD	–	–	18	16
	<u>8,969</u>	<u>12,182</u>	<u>23,805</u>	<u>12,569</u>

20. BORROWINGS – GROUP

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current				
Unsecured loans from shareholders and key management personnel (Note 29(b)(i))	<u>4,672</u>	<u>3,709</u>	<u>–</u>	<u>–</u>
Current				
Unsecured loans from shareholders and key management personnel (Note 29(b)(i))	–	5,157	22,501	28,314
Unsecured and guaranteed bank borrowings	<u>–</u>	<u>–</u>	<u>8,000</u>	<u>6,800</u>
	<u>–</u>	<u>5,157</u>	<u>30,501</u>	<u>35,114</u>

The unsecured loans from shareholders and key management personnel were interest-free and initially recognised by discounting their principal amounts at an interest rate of 4.75% per annum. The subsequent interest expense accretion (Note 29(a)(ii)) was included in the finance costs (Note 10).

The unsecured and guaranteed bank borrowings were at an interest rate of 5.5% per annum, guaranteed by Mr. Dong, Mr. Yang and an independent third party, and repayable within 1 year. The guarantees provided by Mr. Dong and Mr. Yang were released and replaced by corporate guarantee of the Group in August 2020.

The maturity of borrowings is as follows:

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	–	5,157	30,501	35,114
Between 1 and 2 years	4,672	3,709	–	–
	<u>4,672</u>	<u>8,866</u>	<u>30,501</u>	<u>35,114</u>

21. TRADE PAYABLES – GROUP

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Third parties	<u>31,467</u>	<u>110,453</u>	<u>115,551</u>	<u>137,114</u>

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Aging				
Up to 3 months	26,664	61,380	61,374	53,337
3 to 6 months	3,593	30,382	28,789	34,541
Over 6 months	<u>1,210</u>	<u>18,691</u>	<u>25,388</u>	<u>49,236</u>
	<u>31,467</u>	<u>110,453</u>	<u>115,551</u>	<u>137,114</u>

22. OTHER PAYABLES AND ACCRUALS – GROUP AND COMPANY

	As at 31 December			As at 30 April 2020
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
Accrued staff costs	2,518	8,592	10,105	7,625
Accrued listing expenses	–	6,254	8,448	11,982
Deferred government grant				
(Note (a))	–	–	6,000	6,000
Value-added tax and surcharge	522	798	229	61
Accrued consultancy fees	–	2,057	–	–
Others	<u>487</u>	<u>398</u>	<u>1,004</u>	<u>383</u>
	<u>3,527</u>	<u>18,099</u>	<u>25,786</u>	<u>26,051</u>

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Company:				
Amounts due to subsidiaries (Note (b))	–	2,090	16,846	18,800
Accrued listing expenses	–	6,254	8,448	11,982
	–	8,344	25,294	30,782

(a) Deferred government grant represents the grant that has been received by the Group from the local government which is conditional upon completion of its initial public offering.

(b) Amounts due to subsidiaries represent the listing expenses paid by subsidiaries on behalf of the Company.

23. LEASES – GROUP

(a) Amounts recognised in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets (Note 14)				
Leased properties	402	1,934	4,262	3,642
Lease liabilities				
Current	421	1,236	1,815	1,807
Non-current	–	716	2,537	1,954
	421	1,952	4,352	3,761

Additions to the right-of-use assets during the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 were nil, RMB2,252,000, RMB5,440,000, RMB585,000 (unaudited) and nil.

(b) Amounts recognised in profit or loss

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation charge of right-of-use assets	523	720	1,980	489	620
Interest expense (included in finance costs)	49	52	252	53	96
Expense relating to short- term leases (included in cost of services, selling and distribution expenses, and general and administrative expenses)	285	1,199	856	310	437

The total cash outflow from financing activities for leases for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 were RMB559,000, RMB773,000, RMB2,159,000, RMB523,000 (unaudited) and RMB487,000, and the total cash outflow from operating activities for leases in 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 were RMB149,000, RMB1,429,000, RMB798,000, RMB310,000 (unaudited) and RMB433,000.

24. SHARE CAPITAL – GROUP AND COMPANY

	Number of shares	Nominal value of shares	Equivalent nominal value of shares RMB'000
Issued:			
As at 8 November 2018 (date of incorporation)	1	–	–
Issuance of ordinary shares to shareholders of the Company in connection with the Reorganisation (<i>Note 1.2</i>)	9,999	USD10,000	69
As at 31 December 2018	10,000	USD10,000	69
As at 1 January 2019	10,000	USD10,000	69
Issuance of ordinary shares to a shareholder of the Company in connection with the Reorganisation (<i>Note 1.2</i>)	200	USD200	1
Redomination of shares in HKD	785,400	–	–
As at 31 December 2019 (after the redenomination (<i>Note 1.2(ix)</i>)) and 30 April 2020	795,600	HKD79,560	70

- (a) The Company was incorporated in the Cayman Islands on 8 November 2018 with authorised share capital of USD50,000 divided into 50,000 shares of a par value of USD1.00 each.
- (b) After the redenomination mentioned in Note 1.2(ix) on 8 April 2019, the authorised share capital of the Company changed to HKD380,000 divided into 3,800,000 shares of a par value of HKD0.1 each.

25. RESERVES – GROUP AND COMPANY

	Surplus reserve RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000
Group					
At 1 January 2017	279	–	–	1,017	1,296
Capital contribution from the Controlling Shareholders (<i>Note (a)</i>)	–	–	–	2,000	2,000
Capital contribution from shareholders' interest-free loans (<i>Note (b)</i>)	–	–	–	449	449
Appropriation for surplus reserve (<i>Note (c)</i>)	2,971	–	–	–	2,971
At 31 December 2017	3,250	–	–	3,466	6,716

APPENDIX I

ACCOUNTANT'S REPORT

	Surplus reserve RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000
At 1 January 2018	3,250	–	–	3,466	6,716
Capital contribution from shareholders' interest-free loans (Note (b))	–	–	–	355	355
Capital contribution from shareholders of the Company (Note (d))	–	–	–	30,598	30,598
Appropriation for surplus reserve (Note (c))	6,568	–	–	–	6,568
Contribution from shareholder of the companies now comprising the Group (Note 7(i))	–	–	3,430	–	3,430
Deemed distributions to the shareholders of the Company (Note (e))	–	–	–	(30,060)	(30,060)
Other comprehensive loss	–	(32)	–	–	(32)
At 31 December 2018	<u>9,818</u>	<u>(32)</u>	<u>3,430</u>	<u>4,359</u>	<u>17,575</u>
At 1 January 2019	9,818	(32)	3,430	4,359	17,575
Issuance of shares to shareholders of the Company (Note (d), Note 7(i))	–	–	1,430	6,042	7,472
Capital contribution from shareholders' interest-free loans (Note (b))	–	–	–	177	177
Appropriation for surplus reserve (Note (c))	3,592	–	–	–	3,592
Capital distribution from repayment of shareholders' interest-free loans (Note (f))	–	–	–	(160)	(160)
Other comprehensive income	–	11	–	–	11
At 31 December 2019	<u>13,410</u>	<u>(21)</u>	<u>4,860</u>	<u>10,418</u>	<u>28,667</u>
	Surplus reserve RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000
(Unaudited)					
At 1 January 2019	9,818	(32)	3,430	4,359	17,575
Issuance of shares to shareholders of the Company	–	–	1,430	6,042	7,472
Capital distribution by repaying shareholders' interest-free loans	–	–	–	(139)	(139)
Other comprehensive loss	–	(10)	–	–	(10)
At 30 April 2019	<u>9,818</u>	<u>(42)</u>	<u>4,860</u>	<u>10,262</u>	<u>24,898</u>
At 1 January 2020	13,410	(21)	4,860	10,418	28,667
Other comprehensive income	–	49	–	–	49
At 30 April 2020	<u>13,410</u>	<u>28</u>	<u>4,860</u>	<u>10,418</u>	<u>28,716</u>

	Capital reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000
Company			
At 8 November 2018 (date of incorporation of the Company)	–	–	–
Capital contribution from shareholders of the Company (<i>Note (d)</i>)	–	30,598	30,598
Deemed distributions to the shareholders of the Company (<i>Note (e)</i>)	–	(30,060)	(30,060)
Contribution from shareholder of the Company now composing the Group (<i>Note 7(i)</i>)	3,430	–	3,430
Net asset value of the subsidiary acquired upon Reorganisation (<i>Note 30</i>)	–	90,327	90,327
	<u>3,430</u>	<u>90,865</u>	<u>94,295</u>
At 31 December 2018	<u>3,430</u>	<u>90,865</u>	<u>94,295</u>
	<u>3,430</u>	<u>90,865</u>	<u>94,295</u>
At 1 January 2019	3,430	90,865	94,295
Issuance of shares to shareholders of the Company (<i>Note (d)</i>)	1,430	6,042	7,472
	<u>4,860</u>	<u>96,907</u>	<u>101,767</u>
At 31 December 2019 and 30 April 2020	<u>4,860</u>	<u>96,907</u>	<u>101,767</u>
(Unaudited)			
At 1 January 2019	3,430	90,865	94,295
Issuance of shares to shareholders of the Company (<i>Note (d)</i>)	1,430	6,042	7,472
	<u>4,860</u>	<u>96,907</u>	<u>101,767</u>
At 30 April 2019	<u>4,860</u>	<u>96,907</u>	<u>101,767</u>

(a) Capital contribution from the Controlling Shareholders

Prior to the Reorganisation, the Controlling Shareholders made contributions amounting to RMB2,000,000 to Shenzhen Bright Future during the year ended 31 December 2017.

(b) Capital contribution from shareholders' interest-free loans

Capital contribution from shareholders' interest-free loans represents the differences between the discounted present values of the interest-free loans from shareholders and their principal amounts at initial recognition (*Note 29(b)(i)*).

(c) Appropriation for surplus reserve

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiary, the PRC subsidiary is required to appropriate 10% of their profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders of the PRC subsidiaries. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalisation shall not be less than 25% of its capital.

(d) Capital contribution from shareholders of the Company

During the year ended 31 December 2018, shareholders of the Company contributed cash of approximately RMB30,667,000 in aggregate to the Company to finance its acquisition of Huzhou Bright Future.

During the year ended 31 December 2019, City Energy subscribed 200 new shares of the Company at a subscription price of HKD7,000,000 (equivalent to approximately RMB6,042,000).

(e) Deemed distributions to the shareholders of the Company

During the year ended 31 December 2018, consideration of approximately RMB30,060,000 with respect to the acquisition of Huzhou Bright Future by the Company as part of the Reorganisation was treated as deemed distributions (Note 1.2).

(f) Capital distribution from repayment of shareholders' interest-free loans

Capital distribution from repayment of shareholders' interest-free loans represents the differences between the discounted present values of the interest-free loans from shareholders and cash settlement of their principal amounts at derecognition (Note 29(b)(i)).

26. RETAINED EARNINGS – GROUP AND COMPANY

Movements in retained earnings were as follows:

	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Group			
Balance at 1 January	1,548	29,437	65,255
Net profit for the year	30,860	42,386	38,434
Appropriation for surplus reserve	(2,971)	(6,568)	(3,592)
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December	<u>29,437</u>	<u>65,255</u>	<u>100,097</u>
Company			
At 8 November 2018			
(date of incorporation)	–	–	(11,465)
Net loss for the year/period	<u>–</u>	<u>(11,465)</u>	<u>(12,430)</u>
	<u> </u>	<u> </u>	<u> </u>
At 31 December	<u>–</u>	<u>(11,465)</u>	<u>(23,895)</u>
	<u> </u>	<u> </u>	<u> </u>
		2019 <i>RMB'000</i> <i>(unaudited)</i>	2020 <i>RMB'000</i>
Group			
Balance at 1 January		65,255	100,097
Net profit for the period		<u>8,811</u>	<u>24,276</u>
		<u> </u>	<u> </u>
Balance at 30 April		<u>74,066</u>	<u>124,373</u>
		<u> </u>	<u> </u>
Company			
At 1 January		(11,465)	(23,895)
Net loss for the period		<u>(4,947)</u>	<u>(4,029)</u>
		<u> </u>	<u> </u>
At 30 April		<u>(16,412)</u>	<u>(27,924)</u>
		<u> </u>	<u> </u>

27. CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	30,860	45,076	44,728	10,209	26,653
Adjustments for:					
Depreciation	613	891	2,268	546	570
Amortisation	135	135	128	44	20
Finance costs – net	106	309	523	457	264
Fair value gains on FVPL	–	–	(4)	–	(3)
Net impairment losses on financial assets	80	313	1,086	319	323
Share-based payment expenses	–	3,430	1,430	1,430	–
Loss on disposal of property, plant and equipment	–	–	222	–	–
Change in working capital:					
(Increase)/decrease in trade receivables	(49,517)	(106,366)	(62,399)	44,031	(54,061)
Increase in deposits, prepayments and other receivables	(17,958)	(51,214)	(11,034)	(28,917)	(2,134)
Increase/(decrease) in trade payables	26,438	78,986	5,098	(17,095)	21,563
Increase/(decrease) in contract liabilities	9,586	13,397	914	(1,775)	(8,249)
Increase/(decrease) in other payables and accruals	2,768	14,572	7,689	(4,132)	376
Cash generated from/(used in) operations	<u>3,111</u>	<u>(471)</u>	<u>(9,351)</u>	<u>5,117</u>	<u>(14,678)</u>

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing activities for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, other than the addition of right-of-use assets upon the commencement of each lease contract.

(c) Reconciliation of liabilities generated from financing activities

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December			As at
	2017	2018	2019	30 April
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Cash and cash equivalents	8,995	12,182	23,805	12,569
FVPL	–	–	204	207
Borrowings – repayable within 1 year (including overdraft)	–	(5,157)	(30,501)	(35,114)
Borrowings – repayable after 1 year	(4,672)	(3,709)	–	–
Lease liabilities	(421)	(1,952)	(4,352)	(3,761)
Net cash/(debt)	3,902	1,364	(10,844)	(26,099)

	Other assets		Liabilities from financing activities			
	Cash	FVPL	Leases	Borrowings due within 1 year	Borrowings due after 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2017	1,279	–	(932)	(1,479)	–	(1,132)
Cash flows	7,716	–	559	1,490	(4,617)	5,148
Non-cash movement	–	–	(48)	(11)	(55)	(114)
Net cash as at 31 December 2017	8,995	–	(421)	–	(4,672)	3,902
Net cash as at 1 January 2018	8,995	–	(421)	–	(4,672)	3,902
Cash flows	3,219	–	773	(263)	(3,645)	84
Non-cash movement	(32)	–	(2,304)	–	(286)	(2,622)
Reclassification to current portion	–	–	–	(4,894)	4,894	–
Net cash as at 31 December 2018	12,182	–	(1,952)	(5,157)	(3,709)	1,364
Net cash as at 1 January 2019	12,182	–	(1,952)	(5,157)	(3,709)	1,364
Cash flows	11,527	200	2,159	(18,656)	(2,583)	(7,353)
Non-cash movement	96	4	(4,559)	(396)	–	(4,855)
Reclassification to current portion	–	–	–	(6,292)	6,292	–
Net debt as at 31 December 2019	23,805	204	(4,352)	(30,501)	–	(10,844)
Net debt as at 1 January 2020	23,805	204	(4,352)	(30,501)	–	(10,844)
Cash flows	(11,237)	–	487	(4,500)	–	(15,250)
Non-cash movement	1	3	104	(113)	–	(5)
Reclassification to current portion	–	–	–	–	–	–
Net debt as at 30 April 2020	12,569	207	(3,761)	(35,114)	–	(26,099)

28. COMMITMENT**(a) Capital commitments**

The Group did not have any material capital commitments as at 31 December 2017, 2018 and 2019 and 30 April 2020.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere, the Group entered into the following significant related party transactions.

During the Track Record Period, the directors are of the view that the following are related parties of the Group:

(a) Transactions with related parties**(i) Key management personnel compensation**

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages, and bonuses	676	1,695	1,817	370	526
Pension costs – defined contribution plans	106	156	104	44	11
Other social security costs, housing benefits and other employee benefits	152	255	127	31	35
	<u>934</u>	<u>2,106</u>	<u>2,048</u>	<u>445</u>	<u>572</u>

(ii) Interest expenses accretion on loans from shareholders and key management personnel

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Mr. Yang	41	189	162	75	–
Mr. Dong	13	97	140	59	–
City Energy	–	–	94	–	55
Ms. Gao	11	–	–	–	–
	<u>65</u>	<u>286</u>	<u>396</u>	<u>134</u>	<u>55</u>

(b) Balances with related parties

(i) Loans from shareholders and key management personnel

	Year ended 31 December			Four months ended 30 April 2020
	2017 RMB'000	2018 RMB'000	2019 RMB'000	RMB'000
Beginning of the year/period	369	4,672	8,866	22,501
Additions	4,618	3,908	27,696	5,700
Interest expenses accretion	65	286	396	113
Repayments	(380)	—	(14,457)	—
End of the year/period	4,672	8,866	22,501	28,314

As at 31 December 2017, 2018 and 2019 and 30 April 2020, borrowings were advanced from shareholders and key management personnel:

	As at 31 December			As at 30 April 2020
	2017 RMB'000	2018 RMB'000	2019 RMB'000	RMB'000
Mr. Dong	984	3,815	14,000	17,700
Mr. Yang	3,688	4,789	5,000	7,000
City Energy	—	—	3,501	3,614
Mr. Zhu	—	262	—	—
	4,672	8,866	22,501	28,314

The remaining balance of the loans from shareholders and key management personnel as at 30 April 2020 will be repaid before the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The unsecured and guaranteed bank borrowings were at an interest rate of 5.5% per annum, guaranteed by Mr. Dong, Mr. Yang and an independent third party, and repayable within 1 year. The guarantees provided by Mr. Dong and Mr. Yang were released and replaced by corporate guarantee of the Group in August 2020.

30. INTERESTS IN SUBSIDIARIES – COMPANY

	As at 31 December		As at 30 April 2020
	2018 RMB'000	2019 RMB'000	RMB'000
Investments in subsidiaries – at cost, unlisted (Note (a))	90,934	90,934	90,934
Amounts due from a subsidiary (Note (b))	—	6,271	6,374
	90,934	97,205	97,308

(a) It represents the aggregate net asset value of the subsidiary acquired pursuant to the Reorganisation.

(b) Amounts due from a subsidiary represent the cash consideration received by a subsidiary on behalf of the Company, for the issuance of 2% shares of the Company to City Energy. The Company will not demand repayment of the amounts in the foreseeable future.

31. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Salaries, wages and bonus RMB'000	Pension cost- defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
For the year ended 31 December 2017				
Chairman and Chief Executive Officer:				
Mr. Dong	154	27	36	217
Executive directors:				
Mr. Yang	91	16	21	128
Ms. Gao	122	18	28	168
Mr. Cen Senhui	216	31	46	293
	<u>583</u>	<u>92</u>	<u>131</u>	<u>806</u>
For the year ended 31 December 2018				
Chairman and Chief Executive Officer:				
Mr. Dong	282	28	49	359
Executive directors:				
Mr. Yang	326	37	57	420
Ms. Gao	234	22	41	297
Mr. Cen Senhui	559	41	59	659
	<u>1,401</u>	<u>128</u>	<u>206</u>	<u>1,735</u>
For the year ended 31 December 2019				
Chairman and Chief Executive Officer:				
Mr. Dong	264	20	16	300
Executive directors:				
Mr. Yang	395	27	20	442
Ms. Gao	256	18	13	287
Mr. Cen Senhui	561	32	34	627
	<u>1,476</u>	<u>97</u>	<u>83</u>	<u>1,656</u>

	Salaries, wages and bonus <i>RMB'000</i>	Pension cost- defined contribution plan <i>RMB'000</i>	Other social security costs, housing benefits and other employee benefits <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)				
For the four months ended 30 April 2019				
Chairman and Chief Executive Officer:				
Mr. Dong	48	7	5	60
Executive directors:				
Mr. Yang	64	9	4	77
Ms. Gao	40	5	4	49
Mr. Cen Senhui	139	13	11	163
	<u>291</u>	<u>34</u>	<u>24</u>	<u>349</u>
For the four months ended 30 April 2020				
Chairman and Chief Executive Officer:				
Mr. Dong	48	2	4	54
Executive directors:				
Mr. Yang	181	2	11	194
Ms. Gao	48	2	4	54
Mr. Cen Senhui	157	2	10	169
	<u>434</u>	<u>8</u>	<u>29</u>	<u>471</u>

Mr. Chen Shuo, Mr. Liu Kin Wai and Mr. Wei Hai Yan were appointed as independent non-executive directors of the Company on 22 August 2019. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into by the Company in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Company's Listing Business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

32. CONTINGENT LIABILITIES

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Group had no material contingent liabilities.

33. SUBSEQUENT EVENTS

Following the outbreak of the coronavirus disease ("the COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the mainland China, including but not limited to certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and measures on social distancing, etc. Currently the COVID-19 outbreak is basically under control in the mainland China and business activities have resumed in most regions in the mainland China.

As at the date of this report, the Directors are of the view that the COVID-19 outbreak does not have significant adverse impact on the Group's daily business operations, including sales and purchase.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2020.

The information set forth in this Appendix II does not form part of the “Accountant’s Report” from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” of this prospectus and the “Accountant’s Report” set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 April 2020.

This unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Share Offer been completed as at 30 April 2020 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 April 2020 RMB'000 (Note 1)	Estimated net proceeds from the Share Offer RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2020 RMB'000	Unaudited pro forma adjusted net tangible assets per Share	
				RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$1.00 per Share	153,072	90,993	244,065	0.49	0.54
Based on an Offer Price of HK\$1.10 per Share	153,072	101,465	254,537	0.51	0.56

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 April 2020 are extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of 30 April 2020 of approximately RMB153,159,000 with an adjustment for the intangible assets of the Group as at 30 April 2020 of approximately RMB87,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$1.00 (equivalent to RMB0.91) and HK\$1.10 (equivalent to RMB1.00) per Offer Share, being the low end and the high end of the stated offer price range respectively, after deduction of the estimated underwriting fees and other listing related expenses, excluding RMB23,153,000 which has been accounted for in the consolidated statement of comprehensive income up to 30 April 2020, and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options exercised which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as of 30 April 2020 per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 Shares were in issue assuming that the Capitalisation Issue and Share Offer has been completed on 30 April 2020 but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option or any options exercised which may be granted under the Share Option Scheme.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.9106 to HK\$1.00. No representation is made that any amount in Renminbi can be or could have been or may be converted at the above rates or any other rates at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted net assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2020.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Bright Future Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bright Future Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 28 October 2020, in connection with the proposed share offer of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer on the Group's financial position as at 30 April 2020 as if the proposed share offer had taken place at 30 April 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 30 April 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed share offer at 30 April 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong,

28 October 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 November 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) 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.
- (b) 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 adopted on 16 October 2020. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to 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, but so 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.

(iii) 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.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (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 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.

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.

(v) 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.

(vi) 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.

(vii) 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 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 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, 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 annum as the Board may prescribe.

(b) Directors***(i) 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:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) 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.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the 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 Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) 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, but so 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.

(iii) 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 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.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the 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.

(v) 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.

(vi) 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.

(vii) 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 of the 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.

(viii) 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:

- (aa) 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;
- (bb) 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;
- (cc) 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;
- (dd) 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
- (ee) 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.

(c) 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.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law 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.

(e) Meetings of member***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under 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, where proxies are allowed, 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.

(ii) 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 but so 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 (as defined in the Articles) 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):

- (A) at least two members;
- (B) 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
- (C) 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.

(iii) 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.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and 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 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% 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.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, 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.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and 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.

(f) 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 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 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 (as defined in the Articles), 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 of the Company, 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.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect 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;
- (ii) 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
- (iii) 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:

- (aa) 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
- (bb) 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 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.

(h) 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.

(i) 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 Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution 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
- (ii) 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 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, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of 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 ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 8 November 2018 subject to the Companies Law. Certain provisions of Cayman Islands company 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 Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) 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.

(b) Share capital

Under 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:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) 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.

(c) 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.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a 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 Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the 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 Cayman Islands law 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.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, 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.

(f) 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 v. 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.

(g) 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).

(h) 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 (2013 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from 20 March 2019.

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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% 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 (i.e. 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.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of 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.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability on 8 November 2018. Our Company's registered office address is in the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. A summary of various parts of the Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Our principal place of business in Hong Kong is at Unit B, 17/F., United Centre, 95 Queensway, Admiralty. Mr. Tso Ping Cheong Brian (曹炳昌) has been appointed as our authorised representative for the acceptance of service of process in Hong Kong. The address for service of process is 9/F., Wah Yuen Building, 149 Queen's Road Central.

Our Company's head office is located at Rooms 201-02 and 201-03, Phase 7, Xinghai Mingcheng Community, Nantou Jiedao, Nanshan District, Shenzhen, China* (中國深圳市南山區南頭街道星海名城社區7期201-02及201-03室).

2. Changes in share capital of our Company

As of the date of incorporation of our Company, our Company had an authorised share capital of USD50,000 divided into 50,000 US\$ Shares with a par value of USD1.0 each.

On 8 November 2018, our Company issued one US\$ Share with a par value of USD1.0 to the initial subscriber and such Share was transferred at par to Brilliant League on the same day.

On 8 November 2018, our Company allotted and issued 6,699 US\$ Shares to Brilliant League and 3,300 US\$ Shares to Highland Triumph.

The par value of our shares was re-denominated from USD1.0 each to HK\$0.1 each on 8 April 2019, resulting in the authorised share capital of our Company be changed to HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. Subsequent to the re-denomination of the par value of our shares, 522,600 Shares, 249,600 Shares and 23,400 Shares were owned by Brilliant League, Highland Triumph and City Energy respectively.

On 16 October 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.1 each, by the creation of a further 1,996,200,000 Shares.

Assuming that the Share Offer becomes unconditional, immediately following the completion of the Capitalisation Issue and the Share Offer but without taking into account any Shares which may be issued pursuant to the Over-allotment Option and the Share Option Scheme, the authorised share capital of our Company will become HK\$200,000,000 divided into 2,000,000,000 Shares, of which 500,000,000 Shares will be issued fully paid or credited as fully paid, and 1,500,000,000 Shares will remain unissued.

Save as disclosed herein and in the paragraphs headed “– 3. Written resolutions of the Shareholders of our Company passed on 16 October 2020” in this section below, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the Shareholders of our Company passed on 16 October 2020

Pursuant to the written resolutions of our Shareholders passed on 16 October 2020, among other things:

- (a) the authorised share capital of our Company be increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.1 each by the creation of a further 1,996,200,000 Shares;
- (b) conditional on the conditions as set out in the section headed “Structure of the Share Offer” of this prospectus being fulfilled:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$37,420,440 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of 374,204,400 Shares for allotment and issue to the following Shareholders as fully paid in the following manner, which shall carry the same rights in all respects with the existing Shares:

Shareholder	Number of Shares to be allotted and issued
Brilliant League	245,801,400
Highland Triumph	117,396,400
City Energy	11,006,600
	<hr/>
	374,204,400
	<hr/> <hr/>

- (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of our Company or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not (1) exceeding 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options which may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and
- (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate; and

(v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme). Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up. Such mandate shall remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and

- (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate; and
- (vi) the Memorandum and Articles of Association of our Company were approved and adopted conditional and with immediate effect upon Listing.

4. Changes in share capital of our subsidiaries

Save as disclosed in the section headed “History, Reorganisation and corporate structure” of this prospectus, there was no alteration in the share capital or registered capital (as the case may be) of our subsidiaries which has taken place within the two years immediately preceding the date of this prospectus.

5. Reorganisation

For details of the Reorganisation which was effected in preparation for the Listing, see “History, Reorganisation and corporate structure” in this prospectus.

6. Repurchase by our Company of our own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the purchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders’ approval

The Listing Rules provide that all purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(b) Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under Cayman Islands law, any repurchase by the company may be made out of profits of the company, out of the company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the articles of association and subject to the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of either or both of the profits or the share premium account of the company or, if authorised by the articles of association and subject to the Companies Law, out of capital.

(c) Status of repurchased shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under Cayman Islands law, unless prior to the purchase, the directors of the company resolve to hold the shares purchased by the company as treasury shares, shares purchased by the company will be treated as cancelled and the amount of the company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of Shares shall not be taken as reducing the amount of the company's authorised share capital under Cayman Islands law.

(d) Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

2. *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

3. *General*

- (a) None of our Directors, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.
- (b) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong.

- (c) If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.
- (d) No core connected person (as defined in the Listing Rules) has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Public Offer Underwriting Agreement;
- (b) the Deed of Indemnity;
- (c) the Share Subscription Agreement;
- (d) a cornerstone investment agreement dated 27 October 2020 entered into among our Company, Xingchang International Company Limited (興長國際有限公司), the Sole Sponsor, SPDB International Capital Limited and Alpha International Securities (HONG KONG) Limited pursuant to which Xingchang International Company Limited (興長國際有限公司) agreed to, among others, subscribe for such number of Shares that may be purchased with USD2 million at the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares (excluding brokerage, SFC transaction levy and Stock Exchange trading fee which Xingchang International Company Limited (興長國際有限公司) will pay separately in respect of the number of Shares it shall acquire); and
- (e) a cornerstone investment agreement dated 27 October 2020 entered into among our Company, Fun-Platform Holdings Limited, the Sole Sponsor, SPDB International Capital Limited and Alpha International Securities (HONG KONG) Limited pursuant to which Fun-Platform Holdings Limited agreed to, among others, subscribe for such number of Shares that may be purchased with RMB20 million at the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares (excluding brokerage, SFC transaction levy and Stock Exchange trading fee which Fun-Platform Holdings Limited will pay separately in respect of the number of Shares it shall acquire).

2. Our intellectual property rights

1. Trademarks

As of the Latest Practicable Date, our Group had not registered any trademarks.

2. Copyrights and computer software rights

As at the Latest Practicable Date, the following are copyrights and computer software rights that our subsidiaries have been granted in the PRC and which we consider to be or may be material to our business:

Computer software	Place of registration	Registration number	Registrant	Registration date
Lindu precision placement system V1.0.0 鄰度dsp精準投放系統 V1.0.0	PRC	1730243	Shenzhen Bright Future	27 April 2017
Xuanfeng SPP system V.1.0 旋風SPP系統 V1.0	PRC	2118772	Shenzhen Bright Future	20 September 2017
Xuanfeng statistics platform V.1.0 旋風統計平台 V1.0	PRC	2118047	Shenzhen Bright Future	20 September 2017
Funny comprehensive APK analysis system V.1.0 有趣全網apk分析系統 V1.0	PRC	2259132	Shenzhen Bright Future	8 December 2017
Advertising data collection system V.1.0 廣告數據採集系統 V1.0	PRC	2259685	Shenzhen Bright Future	8 December 2017
Advertising performance monitoring system V.1.0 廣告效果監測系統 V1.0	PRC	3013729	Shenzhen Lindu	27 August 2018
Lindu DMP advertising date management software V.1.0 鄰度DMP廣告數據管理軟件 V1.0	PRC	3012719	Shenzhen Lindu	27 August 2018
Lindu advertising API connection system V.1.0 鄰度廣告API交互系統 V1.0	PRC	3011237	Shenzhen Lindu	27 August 2018
App store search enhancement ASO platform V.1.0 應用商店搜索優化ASO平台 V1.0	PRC	3013537	Shenzhen Lindu	27 August 2018
Smart enterprise management system V.1.0 智能業務管理系統 V1.0	PRC	3011800	Shenzhen Lindu	27 August 2018

Computer software	Place of registration	Registration number	Registrant	Registration date
Crowd Analysis Algorithm System V1.0 人群分析算法系統 V1.0	PRC	4054498	Huzhou Bright Future	19 June 2019
API Advertising Resources Portal Software V1.0 API 廣告資源接口軟件 V1.0	PRC	4055197	Huzhou Bright Future	19 June 2019
Promotion Service System V1.0 推廣服務系統 V1.0	PRC	4058714	Huzhou Bright Future	20 June 2019

3. *Domain names*

As at the Latest Practicable Date, we have registered the following domain name which we consider to be or may be material to our business:

Domain Name (Note)	Registrant	Registration Date	Expiry date
www.btomorrow.cn	Shenzhen Bright Future	11 August 2016	11 August 2021

Note: the contents of the website do not form part of this prospectus.

As of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Particulars of Directors' service contracts and letters of appointment

(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date or until the first annual general meeting of our Company since the Listing Date (whichever is sooner). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of our remuneration policy is described in section headed "Directors and senior management – Remuneration and Compensation of Directors and senior management" of this prospectus.

(b) *Independent non-executive Directors*

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our independent non-executive Directors is three years or until the first annual general meeting of our Company since the Listing Date (whichever is sooner).

2. Remuneration of Directors

- (a) Remuneration and benefits in kind of approximately RMB1.9 million, RMB2.7 million, RMB2.4 million and RMB0.8 million in aggregate were paid and granted by our Group to our Directors in each of the three years ended 31 December 2019 and for the four months ended 30 April 2020, respectively.
- (b) Under the arrangements currently in force, our Directors and senior management will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2020, is expected to be approximately RMB4.5 million in aggregate (excluding discretionary bonus).
- (c) None of our Directors has or is proposed to have a service contract with our Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests***(a) Interests of the Directors and chief executives of our Company***

Immediately following completion of the Capitalisation Issue and the Share Offer, taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the interests or short positions of our Directors and our chief executives in the shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in the Shares

Name	Capacity/ Nature of Interest	Number of Shares upon the Listing	Approximate percentage of shareholding (Assuming no exercise of over-allotment option)
Mr. Dong	Interested in a controlled corporation (<i>Note 1</i>)	363,970,000	72.8%
Ms. Gao	Interest of spouse (<i>Note 2</i>)	363,970,000	72.8%

Name	Capacity/ Nature of Interest	Number of Shares upon the Listing	Approximate percentage of shareholding (Assuming no exercise of over-allotment option)
Mr. Yang	Interested in a controlled corporation (<i>Note 1</i>)	363,970,000	72.8%

Notes:

- (1) Brilliant League is wholly-owned by Mr. Dong. Mr. Dong and Mr. Yang are parties acting in concert. Mr. Yang in turn wholly-owns Highland Triumph. Thus, each of Mr. Dong, Mr. Yang, Brilliant League and Highland Triumph are all deemed to be interested in all the Shares held by Brilliant League and Highland Triumph.
- (2) Ms. Gao is the spouse of Mr. Dong, and is thus deemed to be interested in Mr. Dong's entire interest in Shares.

(ii) Interest in associated corporations

Name	Name of associated corporation	Capacity/Nature	Percentage of interest
Mr. Dong	Brilliant League	Beneficial owner	100%
Mr. Yang	Highland Triumph	Beneficial owner	100%

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" of this prospectus, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Share Offer have an interest or short position in the Shares or the underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% 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.

4. Disclaimers

- (a) save as disclosed in the paragraphs headed "C. Further information about the Directors, management, staff, Substantial Shareholders and experts" in this Appendix, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and any member of our Group;

- (b) none of the Directors or the experts named in the paragraphs headed “11. Consents of experts” in this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) save as disclosed in the section headed “Underwriting” of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors or the experts named in the paragraphs headed “11. Consents of experts” in this section 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 taken as a whole;
- (e) neither our Controlling Shareholders nor our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group;
- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transactions as mentioned;
- (g) none of our Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group;
- (h) taking no account of any Shares which may be taken up under the Capitalisation Issue and the Share Offer and allotted and issued pursuant to the Over-Allotment Option and the Share Option Scheme, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company, or as those disclosed in the section headed “Substantial Shareholders” of this prospectus) will, immediately following completion of the Share Offer, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), 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

- (i) save as disclosed in the paragraphs headed “C. Further information about the Directors, management, staff, Substantial Shareholders and experts” in this Appendix, none of the Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (Appendix 10 of the Listing Rules), to be notified to our Company and the Stock Exchange once the Shares are listed thereon.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Shareholders on 16 October 2020.

For the purpose of this section, unless the context otherwise requires:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means any executive directors, non-executive directors and independent non-executive directors, advisors, consultants of any member of our Group;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;

“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its absolute discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.0 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Appendix 10 prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”)

notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the new issue price per Share under the initial public offerings of Shares in connection with such listing shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "Scheme Mandate Limit") provided that the Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 500,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 50,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such

Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to the Shareholders containing the information required by the Listing Rules.

- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Share Option Scheme.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Option and the subscription price shall be conditional on the auditors of our Company or an independent financial adviser appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased.

(j) Rights on take-over

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong as amended from time to time.

(k) Rights on a compromise or arrangement

- (i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company

and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

- (ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no 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 and issue the relevant Shares to the Participant credited as fully paid.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period;
- (iii) the first anniversary of the death of the Participant;
- (iv) the commencement of the winding up of our Company;
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

- (vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:
 - (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
 - (2) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph;
 - (3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;
 - (4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or
 - (5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (iv) or (v)(1) to (4);
- (vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
- (viii) the date the Participant commits any breach of the provisions of paragraph (g).

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Company's articles of association as amended from time to time and will carry the same rights in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that, (a) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 17 of the Listing Rules; and (b) any material alteration to the terms and conditions of the Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their associates

Where Options are proposed to be granted to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share

Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by the Shareholders. All connected persons of our Company must abstain from voting at such general meeting. The circular must contain the information required under Rule 17.04(3) of the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders as to voting; and
- (iii) all other information as required by the Listing Rules. For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

(r) *Performance Target*

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(s) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the passing of a written resolution to adopt the Share Option Scheme by all our Existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

As at the Latest Practicable Date, no Options have been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.

2. Taxation and other indemnities

Each of the Controlling Shareholders and Ms. Gao (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries as stated therein) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any taxation (including tax penalty, if any) falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Share Offer becomes unconditional or any event, act or omission occurring or deemed to occur on or before such date whether alone or in conjunction with any other event, act, omission or circumstance whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;
- (b) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory or administrative compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional; and
- (c) any claim to which our Group may be subject in respect of any disputes, arbitrations or legal proceedings occurring on or before the Listing Date.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to the amount of any and all taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the consolidated audited accounts of our Company or the audited accounts of the relevant Group members up to 30 April 2020 (the “**Accounts**”);

- (b) the taxation arises or is incurred as a result of a retrospective change in law and/or a retrospective increase of tax rates coming into force after the date on which the Share Offer becomes unconditional;
- (c) such claim for taxation or liability would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Share Offer becomes unconditional) without the prior written consent or agreement of Indemnifiers; or
- (d) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

3. Litigation

Save as disclosed in the section headed “Business – Legal proceedings and compliance” of this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

4. Preliminary expenses

The preliminary expenses of the Share Offer are estimated to be approximately HK\$94,500 and shall be payable by our Company.

5. Agency fees or commissions

Save as disclosed in the section headed “Underwriting” of this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

6. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Share Offer and the exercise of the Over-allotment Option. 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 as set out in Rule 3A.01 of the Listing Rules.

The Sole Sponsor’s fee in relation to the Listing is HK\$6.5 million in aggregate.

7. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position since 30 April 2020 (being the date on which the latest audited consolidated financial information of our Group were made up).

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Miscellaneous

- (a) Save as disclosed in the section headed “History, Reorganisation and corporate structure” of this prospectus:
 - (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) our Company has no outstanding convertible debt securities or debentures.
- (b) Our Company has no founder shares, management shares or deferred shares in the capital of our Company.
- (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (d) None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) No company within our Group is presently listed on or dealt in any other stock exchange and no such listing or permission to deal is being or is proposal to be sought.
- (f) The English text of this prospectus and the Application Forms shall prevail over their respective Chinese text.
- (g) 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 immediately preceding the date of this prospectus.

10. 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
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Cap. 588)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant
Dentons	Qualified PRC lawyers
Messis Capital Limited	A corporation licensed under the SFO to carry on types 1 (dealing in securities), and 6 (advising on corporate finance) regulated activities as defined in the SFO
Walkers (Hong Kong)	Legal advisers as to Cayman Islands law

11. Consents of experts

Each of the experts listed in the paragraphs headed “10. Qualification of experts” in this appendix has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As of the Latest Practicable Date and save as disclosed in the preceding paragraph, none of the experts named in the paragraphs headed “10. Qualification of experts” in this appendix had any shareholding interests (either beneficially or non-beneficially) in any member of our Group, or has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group (save in connection with the Underwriting Agreements).

12. Promoter

We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

E. GENERAL**1. Taxation of Holder of our Shares****(a) *Hong Kong***

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

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisors*

Potential investors in the Share Offer should consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasised that none of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and their respective directors or any other parties involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

2. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time as each place where this prospectus is distributed by or on behalf of our Company, in reliance upon the exemption provided by Rule 19.36(5) of the Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and general information – D. Other Information – 11. Consents of experts” in Appendix IV of this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and general information – B. Further information about our business – 1. Summary of the material contracts” in Appendix IV of this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Dennis Fong & Co. in association with Llinks Law Offices at 27/F, Henley Building, 5 Queen’s Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report of our Group from PricewaterhouseCoopers, the text of which are set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the three years ended 31 December 2019 and the four months ended 30 April 2020;
- (d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the Companies Law;
- (f) the material contracts referred to in the section headed “Statutory and general information – B. Further information about our business – 1. Summary of the material contracts” in Appendix IV of this prospectus;
- (g) the service contracts and letters of appointment with Directors, referred to in the section headed “Statutory and general information – C. Further information about the Directors, management, staff, Substantial Shareholders and experts – 1. Particulars of Directors’ service contracts and letters of appointment” in Appendix IV of this prospectus;

- (h) the written consents referred to in the section headed “Statutory and general information – D. Other Information – 11. Consents of experts” in Appendix IV of this prospectus;
- (i) the legal opinions dated this prospectus date prepared by Dentons, our legal advisers as to PRC law, in respect of certain aspects of our Group and our property interests;
- (j) the letter of advice prepared by Walkers (Hong Kong), summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (k) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” of this prospectus; and
- (l) the rule of Share Option Scheme.

Bright Future Technology Holdings Limited
輝煌明天科技控股有限公司