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### OVERVIEW

We are China's second largest and among the world's top ten fabless IC design companies in terms of revenue in 2017, according to Frost & Sullivan. We focus on the design of ASIC chips specialized in cryptocurrency mining and AI applications, and we are the fourth largest global fabless ASIC chip design company in terms of revenue in 2017, according to Frost & Sullivan.

According to Frost & Sullivan, we are the largest global ASIC-based cryptocurrency mining hardware company in terms of sales revenue in 2017, accounting for a market share of 74.5%. We offer a variety of mining hardware equipped with proprietary ASIC chips under our Antminer brand. We specialize in the front-end and back-end of cryptocurrency mining ASIC chip design, and cooperate with industry-leading production partners to manufacture our chips and hardware products. With strong commitment in research and development, we have been constantly upgrading our ASIC chips, the core of our mining hardware. Our innovation in ASIC chips to improve both performance and cost-effectiveness has enabled us to deliver high computing power and great power-efficient mining hardware at reasonable prices. Meanwhile, we have focused on developing mining hardware with different algorithms covering major cryptocurrencies, including Bitcoin, Bitcoin Cash, Ether, Litecoin, Dash and Zcash, which makes us one of the few companies offering mining solutions for various cryptocurrencies. As a result, our products are able to maintain a competitive edge in the cryptocurrency mining hardware market.

Riding on our success and expertise in ASIC chip design and powerful research and development capabilities, we have extended our focus to the revolutionary field of AI and achieved promising results. We are among one of the few AI chip companies in the world, mainly including Google and NVIDIA, that are capable of developing chips for cloud training and inference. Our AI chips function as a tensor computing acceleration processor for deep learning, applicable to training and/or inference on artificial neural networks. We have launched our second generation of AI chip BM1682 in the first quarter of 2018, and have been cooperating with industry-leading AI companies to explore business opportunities in the future. In July 2018, the superior performance of our AI chip BM1682 was showcased at Baidu Create 2018, Baidu's annual AI developer conference, where our chip was demonstrated to be compatible with Baidu's latest AI inference acceleration engine.

In addition to our ASIC chip design business and in an effort to supplement our mining hardware sales business, we manage mining farms where we offer our customers custodian services for their mining hardware, and operate mining pools where miners contribute their computing power and split mining rewards. As of June 30, 2018, we had opened 11 mining farms in the PRC, located in Sichuan Province, Xinjiang and Inner Mongolia, with an aggregate capacity to store approximately 200,000 sets of mining hardware. We also primarily operate two mining pools, BTC.com and Antpool, the world's largest and second largest Bitcoin mining pools in terms of computing power. As of August 31, 2018, these two mining pools together contributed to approximately 37.1% of the aggregate hashrate of the Bitcoin network calculated by their aggregate block rewards as a percentage of the total block rewards generated from the Bitcoin network for the preceding 12 months.

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We have experienced exponential growth during the Track Record Period. Our revenue increased from US\$137.3 million in 2015 to US\$2,517.7 million in 2017, representing a CAGR of 328.2%, and increased by 936.6% from US\$274.5 million for the six months ended June 30, 2017 to US\$2,845.5 million for the six months ended June 30, 2018. During the same period, our profit for the year increased from US\$48.6 million in 2015 to US\$701.4 million in 2017 with a CAGR of 279.9%, and increased by 794.8% from US\$83.0 million for the six months ended June 30, 2017 to US\$742.7 million for the six months ended June 30, 2018. Our adjusted net profit, which is our profit excluding share-based compensation expenses and fair value changes of convertible redeemable preferred shares, increased from US\$48.6 million in 2015 to US\$113.6 million in 2016 and further to US\$952.6 million in 2017, and our adjusted net profit increased from US\$83.0 million for the first six months of 2017 to US\$952.2 million for the first six months of 2018. Our adjusted EBITDA, which is our profit before taxation excluding fair value changes of convertible redeemable preferred shares, finance cost, share-based compensation expenses, depreciation and amortization increased from US\$57.9 million in 2015 to US\$138.1 million in 2016 and further to US\$1,152.1 million in 2017, and our adjusted EBITDA increased from US\$101.8 million for the first six months of 2017 to US\$1,122.9 million for the first six months of 2018. Please see “Financial Information – Non-IFRS Measures: Adjusted EBITDA and Adjusted Net Profit” for more information. However, given the volatile nature of cryptocurrencies and that our business and financial condition correlate with the market price of cryptocurrencies, we may not be able to sustain our high historical growth rates. Please see “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to sustain our historical growth rates, and our historical performance may not be indicative of our future growth or financial results given our limited operating history” and “Summary – Recent Developments.”

### OUR STRENGTHS

#### Leader in the global ASIC chip industry

We are China’s second largest and among the world’s top ten fabless IC design companies in terms of revenue in 2017, according to Frost & Sullivan. We focus on the design of ASIC chips specialized in cryptocurrency mining and AI applications, and we are the world’s fourth largest fabless ASIC chip design company in terms of revenue in 2017, according to Frost & Sullivan.

We have seen a booming market for ASIC chips in recent years. ASIC chips are widely used in cutting-edge technologies, including blockchain, AI applications and IoT, due to ASIC chips’ unique features of high speed performance and great power efficiency. We started our business in 2013, dedicating to the design of cryptocurrencies mining chips. Since 2015, we have constantly ranked first in the global cryptocurrency mining hardware market by both shipment and revenue, according to Frost & Sullivan. In 2017, we achieved a prominent market share of 74.5% in the global ASIC-based cryptocurrency mining hardware market in terms of revenue.

We have accumulated rich experience in ASIC chip design, and are a pioneer in developing ASIC chips under various fabrication standards. With leading research and development capabilities and advanced technology, we successfully launched our first generation of 7nm ASIC chips, currently the most advanced IC fabrication technology,

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according to Frost & Sullivan. Compared to our previous ASIC chips, our latest 7nm ASIC chips have significantly improved in computing performance and power efficiency. In addition, we are developing the next generation of 7nm ASIC chips. Leveraging our advanced technology capabilities and leading market position, we believe we are well-positioned to capture the promising market opportunities of the ASIC chip design industry.

### **Pioneer in the thriving blockchain ecosystem**

By tapping into the cryptocurrency industry, a phenomenal blockchain application, we have been yielding inventions that define cryptocurrency mining and blockchain infrastructure. We have pioneered in the offering of one-stop cryptocurrency mining solutions, ranging from the development of ASIC chips and mining hardware to the operations of mining farms and mining pools. Leveraging our insight into blockchain technology and leading market position in the cryptocurrency mining industry, we further explore the applications of blockchain technology to capture additional development opportunities, and perfect the blockchain ecosystem.

Since our incorporation, we have focused on the development of ASIC chips for cryptocurrency mining and ASIC chip-based mining hardware. We have been leading the mining hardware market with cutting-edge products that have high computing power and great power efficiency in response to the evolving needs of the blockchain ecosystem. We have released cryptocurrency mining hardware covering various major cryptocurrencies, including Bitcoin, Bitcoin Cash, Ether, Litecoin, Dash and Zcash, making us one of the few companies offering mining solutions for various cryptocurrencies, according to Frost & Sullivan. Our superior products and diverse solutions have thus helped us build a trusted brand name among cryptocurrency miners.

Our innovation in ASIC chip development has contributed to the growth of the Bitcoin mining market. With the increase in shipment of mining hardware, the demand for mining hardware custodian services has also grown. To cater to such needs, as of June 30, 2018, we had opened 11 mining farms where our customers can place their mining hardware in our custody and we will help them run and maintain their equipment. As of June 30, 2018, our mining farms had an aggregate capacity to store approximately 200,000 sets of mining hardware. In addition, we operate mining pools where miners contribute their computing power to platforms to jointly mine cryptocurrencies and share mining rewards. Our mining pools reduce the risks and volatility of mining and facilitate a steady return for individual cryptocurrency miners, which encourage more participants to engage in mining activities.

According to Frost & Sullivan, the total revenue of the global blockchain market will grow from US\$13.8 billion in terms of revenue in 2017 to US\$69.3 billion in 2022, representing a CAGR of 38.1%. Accordingly, we have initiated a series of blockchain infrastructure development to further expand into this market, and have leveraged our technology capabilities to cooperate with promising companies in the blockchain industry through strategic alliances and investment. For example, we strategically invested in promising companies in different segments of the blockchain ecosystem, including Circle Internet Financial Limited, a global crypto finance company that received one of the first virtual currency licenses granted by the New York State and the British government, according to Frost & Sullivan. We aim to achieve a win-win cooperation with our strategic partners and

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continue to construct and cultivate the blockchain ecosystem. For example, in July 2018, we made a donation of RMB10.0 million to Tsinghua University and jointly established with them the Research Center for Digital Financial Assets, which is dedicated to research and development in the field of digital financial assets, the revolutionary front of blockchain. With our strategic presence in the blockchain ecosystem, we are able to diversify our revenue sources, strengthen our market position, and seize more market opportunities from the development of the blockchain industry.

### **Strong contender in AI chip industry**

Riding on our success and expertise in ASIC chip design and powerful research and development capabilities, we have extended our focus to the revolutionary field of AI and achieved promising results. We focus on the specific AI application of deep learning, where neural networks are trained to recognize patterns from massive amount of data. Deep learning presents significant challenges to the design of chips with big data processing capabilities and great power efficiency. As we have addressed similar challenges in our development of cryptocurrency mining ASIC chips, we are able to translate our relevant experience into developing AI ASIC chips.

We are among one of the few AI chip companies in the world, mainly including Google and NVIDIA, that are capable of developing chips for cloud training and inference, according to Frost & Sullivan. Our AI chips function as a tensor computing acceleration processor for deep learning, applicable to training and inference on artificial neural networks. We launched our pilot AI chip BM1680, our first generation of AI ASIC chip, in the second quarter of 2017, and our second generation of AI chip BM1682 in the first quarter of 2018. We have also developed various AI hardware, including accelerating cards and servers equipped with our AI ASIC chips for deep learning. Our AI hardware is mainly applied in image identification, facial recognition and big data analysis. In July 2018, the superior performance of our AI chip BM1682 was showcased at Baidu Create 2018, Baidu’s annual AI developer conference, where our chip was demonstrated to be compatible with Baidu’s latest AI inference acceleration engine. According to Frost & Sullivan, the global cloud AI chip market is expected to grow from US\$2.1 billion in 2017 to US\$23.5 billion in 2022 with a CAGR of 62.1%. We are also extending our footprint into other AI technologies, such as edge chips, algorithms and development platforms to capture the great growth potentials in the AI industry.

### **Outstanding research and development capabilities**

Innovation is at our core. We have been devoted to research and development efforts since our inception. As of June 30, 2018, we had built a strong research and development team of 840 full-time engineers, which accounted for over 30% of the total number of employees. Our research and development team members specialize in chip design, algorithm development, platform architecture and software and hardware. We have accumulated valuable experience in teamwork and coordination for chip design through the successful development of top-tier chips under various fabrications.

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We have accumulated advanced know-how and developed leading capabilities in ASIC chip design, which have been fueling our growth. We are committed to designing cutting-edge chips with high tape-out rates and launching state-of-the-art products equipped with our chips through industrial mass production. We not only focus on research and development efforts that enhance ASIC chip performance, but also on improving the cost-effectiveness of our chips to further commercialize our products. On the one hand, we have been constantly optimizing algorithms and chip architecture to improve the efficiency and performance of ASIC chips without altering the fabrication process. On the other hand, we have kept pace with development in fabrications and designed new algorithms and constructed arrays on upgraded fabrications.

We have consistently been the leader achieving significant technological breakthroughs in ASIC chip design. According to Frost & Sullivan, we were one of the first firms in the cryptocurrency industry to release ASIC chip-based Bitcoin mining hardware in 2013, and we became a market leader in the production of cryptocurrency mining hardware in early 2014. We led the development of 16nm ASIC chip in 2016, which was one of the only two 16nm ASIC chips for cryptocurrency mining purpose in China at the time. Compared to our competitors, our mining hardware generally consumes less energy while achieving the same level of computing power. For example, our Antminer S9 released in 2016 attained a power efficiency of 0.10W/(GH/s), with our competitors taking nearly one year to develop comparable products. Our Antminer S9 is still one of the most popular mining hardware on the market, accounting for around 60% of shipment among all Bitcoin mining hardware in 2017, according to Frost & Sullivan. Meanwhile, we have successfully launched our 7nm ASIC chips, which have a significant improvement in computing performance and power efficiency, and we are developing the next generation of 7nm ASIC chips. In the AI field, we are also among the first few companies to develop and commercialize AI ASIC chips for cloud training and inference. While achieving the milestones in the development of ASIC chips, we are still able to maintain high tape-out success rate and final yield.

### **Close partnership with leading supply chain partners**

Our scale of business and industry leading position enable us to establish close strategic partnerships with leading suppliers in the chip production industry to boost our ASIC chip development capabilities. Given our rapid growth during the Track Record Period, we have become a key customer to our upstream suppliers and outsourcing manufacturers, which effectively stabilizes our supply chain and reduces the impact of industrial fluctuations on our product output and delivery cycle. In particular, we have established a close and stable relationship with our wafer fabrication partner TSMC, the world’s leading foundry, which named us as one of its key customers, among Apple Inc., Qualcomm Inc., Broadcom Corporation and others. We also maintain collaborative relationships with leading OSAT companies, including the ASE Group and JCET, for packaging and testing services.

We appeal to our business partners because of our dominant market position and outstanding research and development capabilities. We believe we are one of the few companies capable of developing such strong relationship with these industry leaders in the chip production supply chain. Our collaborative relationships with suppliers and service providers have streamlined our product development, and ensure stable production of our chips.

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### **Visionary management team believing in blockchain technology and AI**

Our management team is led by our visionary Co-founders Mr. Zhan Ketuan and Mr. Wu Jihan. Their clear sense of mission, long-term focus and commitment to the belief that blockchain technology and AI will move the world have been pivotal to our success.

Mr. Zhan Ketuan, with nearly 15 years of managerial and operational experience in the IC industry, has deep technical expertise and acute insight into the development of ASIC chips. He leads our chip research and development team to achieve each technology breakthrough and drive the evolution of cutting-edge products.

Mr. Wu Jihan is widely recognized as the leader in the global cryptocurrency and blockchain technology community. He is known as the first person to translate Satoshi Nakamoto’s white paper “Bitcoin: A Peer-to-Peer Electronic Cash System” into Chinese in 2011. He was named one of “The Ledger 40 under 40” by Fortune Magazine in 2018 for transforming business at the leading edge of finance and technology. Mr. Wu Jihan has been guiding our strategic development with his deep understanding of the blockchain industry.

We have built a core management and technical team with graduates from top-tier universities and who have previously worked at leading semiconductor and technology companies. Our highly seasoned team fully appreciates the blockchain and AI technology, and are capable of leading chip design in these fields.

### **OUR STRATEGIES**

#### **Continuing to invest in research and development to strengthen our leading market position in chip design**

We will continue to invest in research and development and accumulate knowledge in ASIC chip design, especially for cryptocurrency mining ASIC chip. Specifically, we will improve and upgrade our chip design to increase the chips’ computing power while lowering their power consumption, and expand our research and development efforts to design more ASIC chips for additional cryptocurrencies. We will also focus on developing key technologies in AI chips. Leveraging our extensive knowledge in chip design and industry expertise, we will continue to advance our AI chips and explore technological breakthroughs.

To empower our research and development capabilities, we will expand our team and upgrade our facilities for research and development. We will continue to attract top talent around the world specialized in chip architecture, algorithm optimization and software and hardware development, and incentivize them to innovate and enhance our research and development capabilities.

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### **Advancing our presence in the blockchain industry**

Blockchain technology has been widely recognized around the world and has immense market potentials. Leveraging our existing strategic presence in the blockchain technology ecosystem, outstanding research and development capabilities and financial capabilities, we will continue to underpin the blockchain infrastructure and support the development of blockchain applications.

We will also explore new market opportunities, strategically lay out our infrastructure in the blockchain technology ecosystem, and expand our business operation and market share in the blockchain technology industry. Specifically, we will foster relationship with our existing business partners, and selectively explore new collaboration opportunities with other participants in the blockchain technology ecosystem through strategic alliances and investment.

### **Continuing to invest in AI and promote the commercial application of our AI technologies and solutions**

We will continue leveraging our specialties in ASIC chip design to develop new AI chips and products. We have accumulated expertise in each step of AI ASIC chip design and production, including tape-out, packaging and testing, as well as technology in AI applications. Hence, we are well-positioned to accelerate the application of AI ASIC chips and take a leading step into the AI market, which in turn will significantly enlarge our AI business scale and increase our AI business revenue.

We will continue to focus on cloud training and inference, and expand into new AI territories including edge chips, algorithms and development platforms to capture the promising growth potentials of the AI market. We aim to provide one stop AI solutions with AI system equipped with our proprietary cloud and edge chips at competitive prices to achieve image identification, facial recognition, big data analysis and other AI applications. We will also diversify our customer portfolio to scale our AI business. By accumulating customers early on in the development of AI market, we will be able to create entry barriers for our competitors and leverage our first-mover advantage to seize significant market share.

While focusing on designing AI chips, we will also refine the developer platform of our AI chips to better assist users in their development of AI applications on our AI ASIC chips. By improving user interfaces and enhancing user experiences, we plan to expand the market for AI applications, which in turn will attract more developers and bring us more customers and promising business opportunities.

### **OUR BUSINESS MODEL**

We engage in the design of ASIC chips for cryptocurrency mining and AI applications, sales of cryptocurrency mining hardware and AI hardware, management of mining farms, operation of mining pools and other cryptocurrency-related businesses. At the core of our

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cryptocurrency mining hardware business is the front-end and back-end of ASIC chip design, the major links in the product development chain for cryptocurrency mining hardware. Catering to our customers’ evolving needs, we supplement our core cryptocurrency mining ASIC chip design business with our mining farm business, where we provide mining hardware custodian services to our customers, and our mining pool business, where miners contribute their computing power to platforms to jointly mine cryptocurrencies and share mining rewards. Meanwhile, we have expanded our efforts to the revolutionary field of AI, primarily the design of AI ASIC chips and the development of AI hardware. Set forth below is a revenue breakdown by business segments during the Track Record Period.

|                       | Years ended December 31, |            |                |            |                  |            | Six months ended June 30, |            |                  |            |
|-----------------------|--------------------------|------------|----------------|------------|------------------|------------|---------------------------|------------|------------------|------------|
|                       | 2015                     |            | 2016           |            | 2017             |            | 2017                      |            | 2018             |            |
|                       | <i>USD'000</i>           | %          | <i>USD'000</i> | %          | <i>USD'000</i>   | %          | <i>USD'000</i>            | %          | <i>USD'000</i>   | %          |
| <b>Revenue</b>        |                          |            |                |            |                  |            |                           |            |                  |            |
| Mining hardware sales | 107,878                  | 78.6       | 214,698        | 77.3       | 2,263,237        | 89.9       | 220,902                   | 80.5       | 2,683,853        | 94.3       |
| Mining pool service   | 295                      | 0.2        | 3,644          | 1.3        | 32,906           | 1.3        | 7,330                     | 2.7        | 43,217           | 1.5        |
| Mining farm service   | –                        | –          | 5,205          | 1.9        | 20,592           | 0.8        | 4,983                     | 1.8        | 21,823           | 0.8        |
| Proprietary mining    | 27,944                   | 20.3       | 53,586         | 19.3       | 199,330          | 7.9        | 40,652                    | 14.8       | 94,343           | 3.3        |
| Others                | 1,226                    | 0.9        | 479            | 0.2        | 1,654            | 0.1        | 583                       | 0.2        | 2,231            | 0.1        |
| <b>Total</b>          | <b>137,343</b>           | <b>100</b> | <b>277,612</b> | <b>100</b> | <b>2,517,719</b> | <b>100</b> | <b>274,450</b>            | <b>100</b> | <b>2,845,467</b> | <b>100</b> |

## OUR PRODUCTS AND SERVICES

### ASIC Chip Design

#### *Introduction*

Our core business focuses on the design of ASIC chips for cryptocurrency mining and AI applications. An ASIC is an application-specific integrated circuit and, in the specific context of cryptocurrency mining, it is a microchip designed to solve cryptographic algorithms as quickly as possible. Compared to its predecessors, such as CPUs, and GPUs, ASIC chips can solve cryptographic algorithms much faster and with a greater energy efficiency. As AI technologies, especially machine learning, also place great demands on computing power for training algorithms and running applications, the development of specialized AI ASIC chips has grown rapidly. AI chips are processors for AI-related computing tasks. Leveraging our ASIC chip design capacities, we engage in the development of both cryptocurrency mining ASIC chips and AI ASIC chips.

We engage in the front-end and back-end of ASIC chip design, the major links in the product development chain for cryptocurrency mining hardware and AI applications. See “Procurement, Production, Inventory and Logistics” for details on the production process.

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### *Cryptocurrency Mining Chips and Hardware*

Since our incorporation in 2013, we have dedicated our Company to the development of powerful and energy-efficient cryptocurrency mining hardware and providing our customers with various cryptocurrency mining solutions. The core of cryptocurrency mining hardware lies in the ASIC chips. Equipped with our proprietary ASIC chips, our most popular Bitcoin mining hardware can process at a speed of up to 14.5TH/s with the best power efficiency of 0.09W/(GH/s). To suit our customers' needs for mining different types of cryptocurrencies, we offer them a comprehensive suite of mining hardware covering Bitcoin, Bitcoin Cash, Ether, Litecoin, Dash, and Zcash. As the cryptographic algorithms involved for mining different types of cryptocurrencies are different, we have developed various unique ASIC chip designs to drive such mining hardware.

The design of the integrated circuit on an ASIC chip primarily determines the energy consumption of the chip, and we constantly upgrade our ASIC chip design to improve our mining hardware, optimize computing power and power efficiency, so that we can maintain our competitive advantage in the cryptocurrency mining hardware market. Set forth below is a summary of the milestones and status of the development of our cryptocurrency mining ASIC chips.

| Series | Cryptocurrency/<br>Algorithm    | Process        | Launch Date    | Status                     |
|--------|---------------------------------|----------------|----------------|----------------------------|
| BM1382 | Bitcoin, Bitcoin<br>Cash/SHA256 | 28nm           | June 2014      | Production<br>discontinued |
| BM1384 |                                 |                | December 2014  |                            |
| BM1385 |                                 | August 2015    |                |                            |
| BM1387 |                                 | 16nm           | March 2016     | In production              |
| BM1391 | 7nm                             | September 2018 |                |                            |
| BM1790 | Ether/Ethash                    | 28nm           | March 2018     |                            |
| BM1485 | Litecoin/Scrypt                 | 28nm           | September 2016 |                            |
| BM1760 | Dash/X11                        | 28nm           | July 2017      |                            |
| BM1740 | Zcash/Equihash                  | 10nm           | April 2018     |                            |

We are developing the next generation of 7nm ASIC chips. In addition to perfecting our ASIC chip design, we have also been improving other mining hardware to increase power efficiency. To reduce power consumption, we carefully engineered a high-grade aluminum case, customized heat-sinks and computer-controlled fans in most of our mining hardware to keep them cool during operation. Additionally, our mining hardware features low maintenance costs.

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We offer a variety of mining hardware under the Antminer brand catering to customers’ various needs. Set forth below is a summary of the features and status of our major cryptocurrency mining hardware during the Track Record Period and up to the Latest Practicable Date.

| Product series    | Cryptocurrency/<br>Algorithm        | ASIC   | Number of<br>ASIC Chips<br>in Each<br>Product | Best Power<br>Efficiency | Computing<br>Power under<br>Best Power<br>Efficiency |
|-------------------|-------------------------------------|--------|-----------------------------------------------|--------------------------|------------------------------------------------------|
| Antminer S4+      | Bitcoin,<br>Bitcoin Cash/<br>SHA256 | BM1382 | 204                                           | 0.58 W/(GH/s)            | 2.57 TH/s                                            |
| Antminer S5       |                                     | BM1384 | 60                                            | 0.51 W/(GH/s)            | 1.15 TH/s                                            |
| Antminer S5+      |                                     |        | 432                                           | 0.45 W/(GH/s)            | 7.72 TH/s                                            |
| Antminer S7       |                                     | BM1385 | 135                                           | 0.25 W/(GH/s)            | 4.73 TH/s                                            |
| Antminer T9       |                                     | BM1387 | 171                                           | 0.13 W/(GH/s)            | 11.50 TH/s                                           |
| Antminer T9+      |                                     |        | 162                                           | 0.14 W/(GH/s)            | 10.50 TH/s                                           |
| Antminer S9       |                                     |        | 189                                           | 0.09 W/(GH/s)            | 14.50 TH/s                                           |
| Antminer S9 Hydro |                                     |        | 216                                           | 0.096 W/(GH/s)           | 18.00 TH/s                                           |
| Antminer E3       | Ether/Ethash                        | BM1790 | 18                                            | 4.00 W/(MH/s)            | 190.00 MH/s                                          |
| Antminer L3       | Litecoin/Scrypt                     | BM1485 | 144                                           | 1.60 W/(MH/s)            | 250.00 MH/s                                          |
| Antminer L3+      |                                     |        | 288                                           | 1.59 W/(MH/s)            | 504.00 MH/s                                          |
| Antminer D3       | Dash/X11                            | BM1760 | 180                                           | 57.06 W/(GH/s)           | 17.00 GH/s                                           |
| Antminer Z9       | Zcash/Equihash                      | BM1740 | 48                                            | 28.19 W/(Ksol/s)         | 40.80 KSol/s                                         |
| Antminer Z9 mini  |                                     |        | 12                                            | 30.00 W/(Ksol/s)         | 10.00 KSol/s                                         |

In addition to mining hardware, we also offer power supply units customized for our mining hardware to enhance mining performance. Our proprietary power supplies increase power efficiency, reduce mining noises and improve heat dissipation. Certain series of mining hardware come with a free power supply unit and our customers can also choose to buy the power supply unit separately or as a set with the mining hardware.

We price our cryptocurrency mining hardware in consideration of the market price of cryptocurrencies, prices of our competitors’ products, expected economic return of cryptocurrency mining, product types and demand for mining hardware. Additionally, we have adopted a floating pricing mechanism, consistent with industry practice. We normally set an initial price for our product at launch and lower the price as more competing products enter the market. When the market price of a cryptocurrency fluctuates, we will adjust the price of our mining hardware accordingly. Our product price also depends on the type of mining hardware we are selling. During the Track Record Period, the average selling price of our Bitcoin/Bitcoin Cash mining hardware was US\$463, US\$767, US\$1,231 and US\$1,012 for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018. We began selling other types of cryptocurrency mining hardware in 2016, and their average selling price was US\$1,310, US\$1,553 and US\$936 for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018.

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We sell our cryptocurrency mining hardware mainly through online direct sales via our websites. Our customers place orders on our official website and we also accept payment in the form of cryptocurrencies. In 2017, approximately 27% of our mining hardware sales was paid in cryptocurrencies.

During the Track Record Period, we sold approximately 0.23 million, 0.26 million and 1.62 million sets of mining hardware in 2015, 2016 and 2017, respectively, and approximately 0.18 million and 2.56 million in the six months ended June 30, 2017 and 2018, respectively. Specifically, sales volume of Bitcoin/Bitcoin Cash mining hardware accounted for 100%, 99.7%, 68.4%, 96.5% and 73.2% of our total sales volume of mining hardware (excluding ancillary accessories) for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

We realized significant revenue growth from sales of our mining hardware during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, revenue from sales of our mining hardware was US\$107.9 million, US\$214.7 million and US\$2,263.2 million, respectively, with a CAGR of 358.0%, and our revenue from sales of mining hardware increased by 1,115.0% from US\$220.9 million in the six months ended June 30, 2017 to US\$2,683.9 million in the six months ended June 30, 2018.

### *Artificial Intelligence Chips and Hardware*

Having accumulated rich experience in developing and perfecting ASIC chips for cryptocurrency mining, we began to engage in ASIC chip design for AI applications in 2015. We see a promising future for the application of ASIC chips in AI and will continue focusing on the AI chip market, especially in cloud training and inference applications. According to Frost & Sullivan, the global cloud AI chip market is expected to grow from US\$2.1 billion in 2017 to US\$23.5 billion in 2022, with a CAGR of 62.1%. The State Council also listed AI as a top priority in the “13th Five-Year National Science and Technology Innovation Plan.”

AI ASIC chip design primarily faces technological barriers in the engineering process, high-speed interconnection, memory bandwidth, on-chip memory, and ecosystem. Having encountered and overcome similar difficulties in designing cryptocurrency-mining ASIC chips, we are able to leverage our knowledge and develop AI ASIC chips with greater computing power and energy efficiency. In particular, we are among the few companies capable of developing AI products targeting cloud training and inference. AI chips targeting cloud training and inference are generally used for processing big data on the cloud server, in the process of which an AI model is trained to analyze the data, learn from the data and obtain the intelligence to perform the analysis and conduct the inference, such as image recognition. Our latest generation of AI ASIC chip to be launched in the fourth quarter of 2018 will be able to match the world’s leading cloud inference technology at more competitive prices. We have also expanded our business to encompass broader AI technologies and applications, such as edge chips, algorithms and development platforms to capture the great growth potentials in the AI industry.

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We have launched our second generation of AI ASIC chip BM1682. Set forth below is a summary of the milestones and status of the development of our AI ASIC chips.

| Series | Process | Application                  | Status                                        |
|--------|---------|------------------------------|-----------------------------------------------|
| BM1680 | 28nm    | Cloud training and inference | Launch in the second quarter of 2017          |
| BM1682 | 28nm    | Cloud inference              | Launch in the first quarter of 2018           |
| BM1684 | 12nm    | Cloud inference              | Expected launch in the fourth quarter of 2018 |

We pay special attention to the application of AI ASIC chips, which are mainly used for cloud training and inference in the fields of image identification and facial recognition. We have also developed accelerating cards and servers equipped with our AI ASIC chips for deep learning.

In July 2018, the superior performance of our AI chip BM1682 was showcased at Baidu Create 2018, Baidu's annual AI developer conference, where our chip was demonstrated compatible with Baidu's latest AI inference acceleration engine.

### Mining Farms

To better serve our customers, we offer them custodian services at our mining farms. A mining farm functions as a storage facility, where mining hardware is placed on different shelves which are technologically equipped to mine cryptocurrencies. Miners may choose to place their mining hardware in our mining farms, where technicians run and monitor the mining process for them. As of June 30, 2018, we managed 11 mining farms, including conducting daily maintenance on the mining hardware and other infrastructure.

Mining farms are usually built at sites with low land and electricity costs to reduce mining expense for our customers. We select sites for our mining farms based on such preferences and have established mining farms in Sichuan Province, Xinjiang and Inner Mongolia. Our mining farms are also equipped with supporting personnel to trouble shoot basic everyday technical difficulties.

Our mining farms charge our customers custodian fees based on electricity and maintenance costs. During the Track Record Period, our mining farms realized a revenue of nil, US\$5.2 million and US\$20.6 million for the years ended December 31, 2015, 2016 and 2017, respectively, and a revenue of US\$5.0 million and US\$21.8 million for the six months ended June 30, 2017 and 2018, respectively. Revenue from our mining farm business contributed to 1.9%, 0.8% and 0.8% of our total revenue for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, respectively.

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## BUSINESS

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### *Domestic Mining Farms*

Through careful site selection for our mining farms, our domestic mining farms can normally guarantee over 300MW electricity supply for our customers and hosted approximately 125,000 sets of mining hardware as of June 30, 2018. As of the same date, we operated 11 mining farms in the PRC, mainly located in Sichuan Province, Xinjiang and Inner Mongolia. Our largest mining farm, located in Inner Mongolia, can host approximately 60,000 sets of mining hardware with a total power capacity of approximately 90MW. Our mining farms mainly host the mining hardware of our major customers as well as our own proprietary mining hardware.

### *Overseas Mining Farms*

We aim to expand our mining farms overseas to utilize cheap electricity around the globe. While we have not yet opened any mining farms overseas, we have selected certain sites in countries with low electricity prices and have started the construction of several mining farms. Set forth below is a summary of our major mining farms in the pipeline.

- United States: we have three mining farms under construction, one in each of the States of Washington, Texas and Tennessee, and we expect these mining farms to commence operation by the first quarter of 2019. We are also planning to construct a repair and maintenance center in the State of Washington to support nearby mining farms.
- Canada: we are contemplating the construction of mining farms in Quebec, where cheap hydropower is available.

### **Mining Pools**

A mining pool is a platform where miners contribute their computing power to jointly mine cryptocurrencies and share mining rewards. Taking Bitcoin as an example, an individual miner's daily expected rewards are proportionate to its contribution to the Bitcoin network's aggregate hashrate, the aggregate computing power of the Bitcoin network. Yet, given the probabilistic nature of the Bitcoin network hash function, the chance of successfully mining blocks is probabilistically determined by the law of large numbers and there is significant variance involved in mining, especially for individual miners. Due to the extremely high hashrate on the Bitcoin network, there is no guarantee that an individual miner will mine a block and receive Bitcoin. Mining pools generally mutualize the risk of mining and their members can share mining rewards on a daily basis pro rata based upon each miner's contribution to computing power to the pool. In a mining pool, especially a sizeable one, the individual mining process is repeated a large number of times by all its members, and the expected rewards for the mining pool are generally proportionate to its contribution to the aggregate computing power of the Bitcoin network. Thus, it is more likely for the mining pool to successfully mine any particular block. While a miner needs to split its rewards with other members of the mining pool, he is more likely to receive a smaller, yet steady, stream of mining proceeds.

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We primarily operate two mining pools, BTC.com and Antpool, currently the world's largest and second largest Bitcoin mining pools in terms of computing power, respectively, according to Frost & Sullivan. As of August 31, 2018, these two mining pools together contributed approximately 37.1% of the aggregate hashrate of the Bitcoin network, with BTC.com accounting for around 21.0% of the aggregate hashrate of the Bitcoin network and Antpool around 16.1%, calculated by their respective block rewards as a percentage of the total block rewards generated from the Bitcoin network for the preceding 12 months according to Frost & Sullivan. As of August 31, 2018, BTC.com had a Bitcoin hashrate of around 8,461.00 PH/s, and Antpool had a Bitcoin hashrate of approximately 6,736.93 PH/s, according to Frost & Sullivan. Their members share mining rewards based on their contribution of computing power to the pool. BTC.com mainly targets Bitcoin and Bitcoin Cash mining, while Antpool supports mining of ten types of cryptocurrencies, including Bitcoin, Bitcoin Cash, Ether, Litecoin and Dash.

Our mining pools generate revenue from a portion of the mining rewards generated from the mining activities of our mining pools. Subject to different distribution structures, we generally collect up to 5% of the total mining rewards generated from operating the mining pools. During the Track Record Period, our mining pools realized a revenue of US\$0.3 million, US\$3.6 million and US\$32.9 million for the years ended December 31, 2015, 2016 and 2017, respectively, and a revenue of US\$7.3 million and US\$43.2 million for the six months ended June 30, 2017 and 2018, respectively. Revenue from our mining pool business contributed to 0.2%, 1.3%, 1.3%, 2.7% and 1.5% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

### **Other Cryptocurrency-related Business**

We have expanded into other cryptocurrency-related business to offer our customers a one-stop mining experience. We provide a free blockchain browser, BTC.com browser that allows users to search and navigate blockchain information. We aim to attract more members and increase user traffic with our blockchain browser.

In addition to offering products and services to our customers, we also engage in proprietary mining. To capture the profitable returns of cryptocurrency mining, we will utilize mining hardware to mine cryptocurrencies ourselves. During the Track Record Period, we generated a revenue of US\$27.9 million, US\$53.6 million and US\$199.3 million for the years ended December 31, 2015, 2016 and 2017, respectively, and a revenue of US\$40.7 million and US\$94.3 million for the six months ended June 30, 2017 and 2018, respectively, from proprietary mining. Proprietary mining revenue accounted for 20.3%, 19.3%, 7.9% and 3.3% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

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### RESEARCH AND DEVELOPMENT

Research and development is key to innovation and business growth, and we place a strong emphasis on building our research and development team. As of June 30, 2018, we had 840 full-time engineers on our research and development team, among them, 366 members specialize in product design, 298 members focus on AI ASIC chip development and 176 members focus on the development of mining hardware and accessories. We are highly selective when recruiting our research and development team members, among whom 40.95% had academic degrees at PhD or master’s level, and 54.05% had academic degrees at bachelor’s level. Our research and development team members graduated from top-tier universities, including Peking University, Tsinghua University and Chinese Academy of Sciences, and have previous work experience with other top-tier technology companies, such as AMD, IBM, Baidu and NetEase. To incentivize ingenuity and innovative thinking, we offer various bonuses to research and development team members based on their research achievements.

We actively promote research and development projects and, during the Track Record Period, we incurred US\$5.7 million, US\$16.6 million and US\$72.6 million in research and development expenses for the years ended December 31, 2015, 2016 and 2017, respectively, and US\$87.0 million for the six months ended June 30, 2018. Our research and development expenditures are recognized as expenses in the period they were incurred.

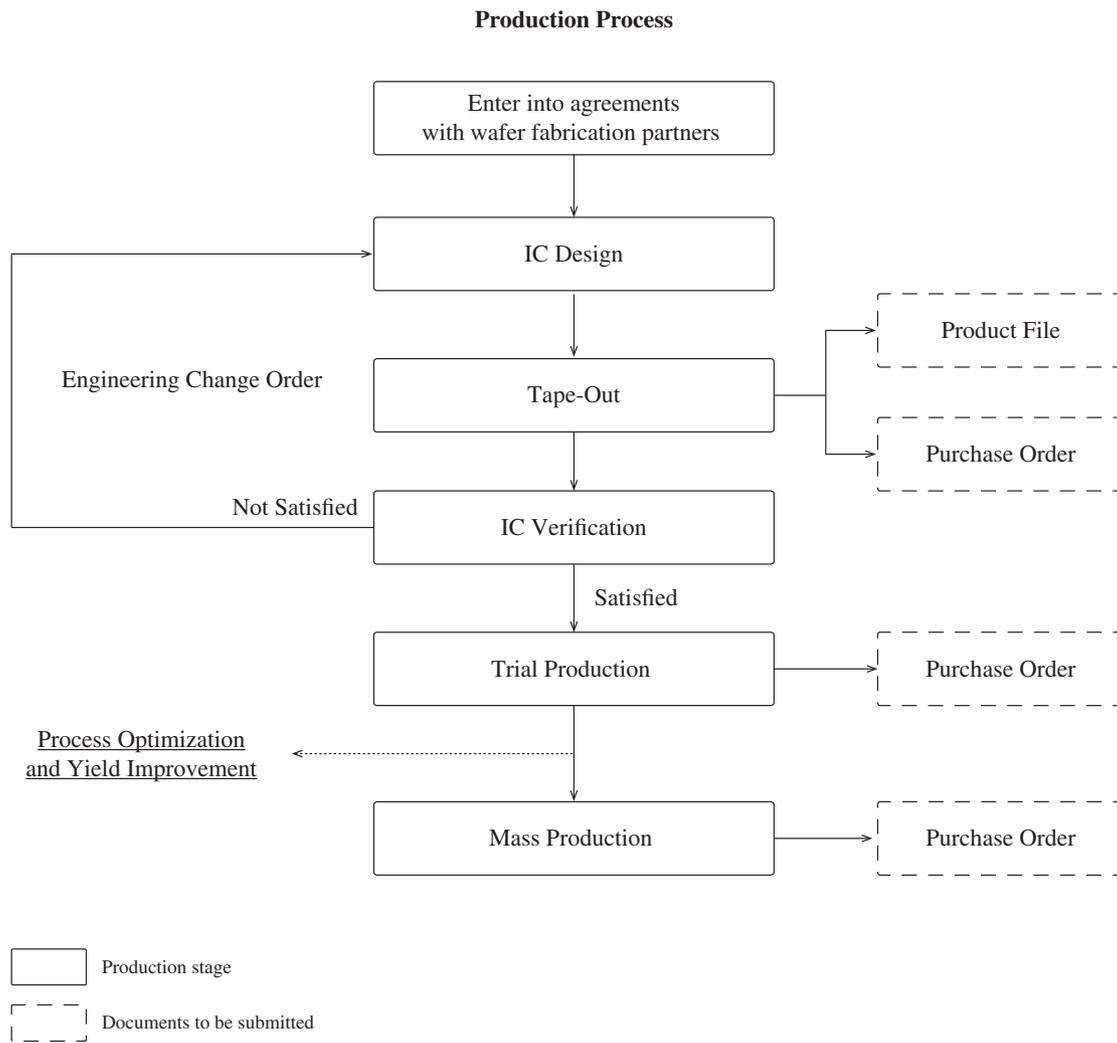
## BUSINESS

### PROCUREMENT, PRODUCTION, INVENTORY AND LOGISTICS

#### Our Fabless Model

We do not directly manufacture ASIC chips for our cryptocurrency mining hardware or for AI applications. Instead, we adopt a fabless model, whereby we cooperate with world-class production partners for all phases of the manufacturing process of our ASIC chips, including wafer fabrication and packaging and testing. Under the fabless model, we are able to leverage the expertise of industry leaders in areas such as fabrication, assembly, quality control and reliability and testing packaging, while we focus our resources on research and development, product design and additional quality control.

The following flowchart illustrates the general process of ASIC chip design and production for our cryptocurrency mining business and AI business.



## BUSINESS

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### **Fabless ASIC Chip Design**

We focus on the front-end and back-end of ASIC chip design, and have specialized teams of research and development personnel dedicated to the design of ASIC chips for cryptocurrency mining and AI applications, respectively. We determine the parameters of the chip, establish basic logic of the design, map out the initial plan for the physical layout, and conduct back-end verification on the design. We then work with the wafer foundry, which has the expertise in photomask making, to finalize the layout. The chip design process generally ends with “tape-out”, where the graphic for the photomask of the chip is sent to the wafer foundry before mass production begins.

### **Wafer Fabrication**

We collaborate with TSMC, a leading foundry, which is also our only wafer fabrication partner, to produce wafers for our ASIC chips. We and TSMC first enter into a non-disclosure agreement to maintain intellectual property rights. We then provide TSMC with basic preliminary information about our chip design, and work with them to finalize the layout. Once our design is taped out, TSMC fabricates a prototype for us to confirm. Once confirmed, TSMC procures necessary materials and mass production of the wafers can then be conducted, and we place actual purchase orders according to our business needs. It takes an average of approximately three months from the time we place our orders to the delivery of the wafers. Pursuant to our arrangement with TSMC, we usually prepay TSMC for fabrication prior to delivery. We have been cooperating with TSMC since our incorporation, and we do not maintain any long-term contract or framework agreement with TSMC.

### **Packaging and Testing**

After the wafers are manufactured, they are shipped to an OSAT company for packaging into ASIC chips, which are then tested to ensure that they meet all the quality control procedures. We also maintain collaborative relationships with leading OSAT companies, including the ASE Group and JCET, for packaging and testing services. According to agreements with our packaging and testing partners, we provide order forecasts to them 30 days in advance for them to purchase necessary materials. It usually takes our packaging and testing partners about five to eight days for packaging. Upon delivery, we have the right to request our partners to reimburse us for defective chips with a yield lower than expected. We typically settle with our packaging and testing partners on a monthly basis and we are required to pay them within 30 days upon receipt of invoices.

### **Procurement of Other Components**

In addition to our proprietary ASIC chips, our mining hardware consist of other components, including PCBs, auxiliary chips, other electronic components, fans and aluminum casings. We procure most of these components within the PRC in accordance with our sales plans. We store raw materials at our warehouses and distribute them to our hardware manufacturing partners based on each order.

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## BUSINESS

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As a steady supply of quality components is crucial to our business, we carefully evaluate the suitability of potential suppliers and their ability to assure timely delivery of quality components. Specifically, we examine a supplier’s operational scale, operating history, corporate reputation, product quality and quality control effectiveness, technological expertise and engineering capability, price, reliability and ability to meet our delivery timeline and production capacity. We then group potential candidates into a supplier pool from which we can further choose the suitable supplier for each order. For each type of our other components, we typically maintain at least two suppliers. We also enter into strategic framework agreement or memorandum of understanding with certain suppliers to guarantee a steady supply of rare components.

We place significant emphasis on protection of intellectual property. We oversee the core components of mining hardware and require all our suppliers to sign framework agreements with terms of confidentiality before entering into business cooperation. Except for TSMC, our suppliers typically offer us a credit term of 30 to 120 days from receipt of products.

### **Assembly**

Once the chips have been manufactured, production of mining hardware entails PCB assembly and general assembly. PCB assembly is the process of creating mounted circuit boards and, through general assembly, the circuit boards are then integrated with other components and parts to produce the final products.

We engage third-party service providers to assemble our products. The terms of our subcontracting arrangement are set out in individual written work orders, and the amount of work outsourced is determined on an as-needed basis. To maintain our product quality, we institute strict quality control measures in addition to those of our production partners. These measures include requiring product testing at various stages of production and utilizing our proprietary software to record and report the quality testing results. See “Quality Control” for more details.

### **Warehousing**

The final quality check and packaging are carried out through our subsidiary, Shenzhen Century Cloud Core Technology. As of June 30, 2018, we had a final quality control and warehousing center with a GFA of approximately 20,000 square meters in Shenzhen, China, where we sample and test the products assembled by our service providers, package the products and store them for delivery pick-ups.

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## BUSINESS

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### **Our Suppliers**

TSMC has been our single largest supplier since our incorporation. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, procurement from TSMC accounted for approximately 44.8%, 58.5%, 58.6% and 59.2% of our total procurement, respectively, while purchases from our top five suppliers accounted for approximately 60.8%, 73.6%, 78.3% and 74.8% of our total procurement for the respective periods. For more information on our other suppliers, please see “– Procurement, Production, Inventory and Logistics”, “Risk Factors – Risks Relating to Our Business and Industry – We rely on services provided by a single third-party foundry, and any failure to obtain sufficient foundry capacity from this foundry or shift to another foundry may adversely affect our business operations” and “– We rely on a limited number of third parties for IC packaging and testing services.” Our Directors confirm that, as of the Latest Practicable Date, all of our five largest suppliers are independent third parties and none of our directors or their associates or our existing Shareholders who, to the knowledge of our Directors, own more than 5% of our issued share capital, has any interest in any of our five largest suppliers.

### **Inventory Management**

As of June 30, 2018, we operated seven warehouses in Shenzhen. Our warehouses have capacity for storing about 1.5 million sets of mining hardware.

Our inventory includes components, semi-finished products and finished products. To avoid the accumulation of components in our inventory, we arrange the procurement and delivery of various components according to our monthly and quarterly sales plans. We typically only keep an inventory of components that can meet our production needs. We also implement a “first-in first-out” system as part of our inventory management policy. We have in place an ERP System to monitor our inventory level as well as our procurement and shipment activities. See “Financial Information – Analysis of Selected Consolidated Statements of Financial Position Items – Inventories” for details of our inventory during the Track Record Period.

### **Logistics**

TSMC is responsible for the shipping of wafers from its foundry to the packaging and testing service providers, and we are responsible for shipping the product to our warehouses located in Shenzhen, China. We generally coordinate logistics services for our customers in China and overseas after receipt of their payment. The logistics services providers ship our products to locations designated by our customers and the risk of damage and loss is transferred to the customers once we ship the products to the logistics services providers. We require the logistics providers to possess transportation permits and other relevant qualifications to conduct their business, as well as other qualifications required by law. We currently collaborate with UPS, DHL, FEDEX and other logistics service providers to deliver our products.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay in delivery that materially affected our business operations.

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## BUSINESS

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### QUALITY CONTROL

We emphasize quality control in all aspects of our operations, including product development, component sourcing, product assembly and delivery. We apply strict quality control standards and have implemented various quality control checks to ensure that our products meet our customers’ expectations and international and industry standards. We also require our business partners, including wafer manufacturer, packaging and testing service providers, assembly service providers, components suppliers and delivery service companies, to apply their stringent quality control standards and meet our internal requirements.

We have in place quality control measures at each stage of the production process, including wafer fabrication, chip packaging and testing, procurement of raw materials and final product assembly.

- *Wafer fabrication.* We cooperate exclusively with TSMC for wafer fabrication as wafer fabrication requires highly advanced technologies and TSMC is a global leader in wafer fabrication. We believe, as a leading wafer manufacturer, TSMC has stringent quality standards that safeguard the quality of wafers we use for our ASIC chips. We inspect wafers before delivery for packaging and testing.
- *Packaging and testing.* Our packaging and testing partners also conduct inspection of the wafers for us. Upon delivery of packaged and tested chips, we further conduct our own inspection to ensure the chips’ quality.
- *Procurement of raw materials.* We have always been selective in choosing our suppliers for raw materials. We only purchase from qualified suppliers, and the qualification process includes rigorous requirements regarding quality control. See “Procurement, Production, Inventory and Logistics – Procurement of Other Components” for detailed supplier selection criteria. We constantly monitor the raw materials we source for assembly, and conduct quarterly reviews and evaluations on our suppliers’ performance, covering the quality of the components supplied, the timeliness of delivery, pricing and ability to provide value-added services. Pursuant to our arrangement with various suppliers, any components delivered that fail our quality inspection will be returned to our suppliers at their cost, and we will terminate our relationship with such suppliers if they fail to rectify the defects.
- *Assembly.* We have adopted stringent safety and quality standards for final product assembly in addition to those of our third-party subcontractors for assembly services. Specifically, we conduct quality sampling tests on the components used in the assembly process, semi-finished products and final products.

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We have devoted and will continue to devote significant resources to product quality control. As of June 30, 2018, our quality control department had 96 staff members. During the Track record Period and as of the Latest Practicable Date, we have not experienced any penalty in relation to product quality or any material product quality disputes.

### WARRANTY AND AFTER-SALES SERVICES

We provide our customers with a free six-month warranty, which we believe is in line with, or even longer than, prevailing warranty periods in the industry. Our warranties cover regular maintenance services and parts and labor for repairs.

We rarely accept exchanges of products except for cases of major defects. We believe our exchange policy is consistent with relevant PRC laws and regulations governing product quality and consumer rights and interests. During the Track Record Period, we have not experienced any product recall that adversely impacted our reputation, business operations, and financial condition.

To better provide quality and convenient customer services, we have opened online customer service channels, and have also posted information on us, our products, customer service policy and process on WeChat, our website and forums. Additionally, we offer VIP customers direct one-on-one customer service to better suit their immediate and special needs. As of June 30, 2018, our customer service team consisted of 209 members, including 106 in the post-sales service team, 28 in the online customer service team and 75 in the repair and maintenance team.

### MARKETING AND BRANDING

We engage in limited sales and marketing efforts as we mainly rely on “word-of-mouth” branding. Additionally, given the high entry barrier of the fabless ASIC chip design industry, there are only a few notable providers of cryptocurrency mining solutions in the market, resulting in favorable supply-demand dynamics for us.

In addition to limited marketing efforts associated with new product launch, we from time to time host and participate in cryptocurrency and blockchain technology events, conferences and summits, such as the World Blockchain Conference held in Wuzhen and the “Scaling for Consensus” Bitcoin Cash Anniversary International Summit held in Hong Kong. We also engage in regional customer acquisition programs overseas through our website, social networking accounts, promotion and advertising activities as well as word-of-mouth marketing. As of June 30, 2018, we had a team of 74 sales and marketing personnel, and for the years ended December 31, 2015, 2016 and 2017 as well as the six months ended June 30, 2017 and 2018, we incurred US\$0.6 million, US\$2.2 million, US\$8.0 million, US\$1.0 million, and US\$12.4 million in selling expenses, respectively.

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## BUSINESS

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### OUR CUSTOMERS

Our customers primarily consist of individuals and companies interested in cryptocurrency business as well as those seeking AI solutions. Our customer base increased from nearly 6,000 in 2015 to over 46,000 in 2017 and further to over 80,000 in the six months ended June 30, 2018. Our diverse customer base is located in various countries, mainly including China, Asia (excluding the PRC), the US, and countries in Europe, and we have seen increasing sales overseas in recent years. In 2017, approximately 48.2% of our total revenue were generated in China and 51.8% were generated from overseas market. Specifically, for the year ended December 31, 2017, approximately 35.7% of our overseas sales of mining hardware were made to North America, 43.0% to Asia (excluding the PRC) and 20.7% to Europe in terms of revenue.

We currently have a balanced mix of individual and corporate customers, and our sales have been scattered among our customers. Revenue generated from our largest customer accounted for approximately 5.3%, 4.6%, 3.4% and 3.3% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, while revenue from our top five customers accounted for approximately 16.1%, 20.4%, 10.9% and 10.9% of our total revenue for the respective periods. Our Directors confirm that, to the knowledge of our Directors, as of the Latest Practicable Date, our five largest customers were independent third parties and none of our Directors or their associates or our existing Shareholders who own more than 5% of our issued share capital, has any interest in any of the five largest customers.

The key terms of our sales agreements of mining hardware include:

- **Pricing:** The price of the product is determined based on the official price with applicable discount.
- **Purchase Order:** Purchases by customers are made through our official website, and purchase orders specify the purchase volume, product type and product specifications.
- **Settlement:** Customers are required to settle the bills in full before product delivery, except for certain major customers, to whom we may extend a small credit line for a short period of time.
- **Delivery:** Customers will pay for delivery of the products and bear the risks of damage to products and delay in delivery.
- **Warranty and After-Sales Services:** We provide our customers with a free six-month warranty. See “– Warranty and After-Sales Services” for details. We may provide technical support to customers for initial installation.

## BUSINESS

### COMPETITION

#### Cryptocurrency Mining Hardware

The global cryptocurrency mining hardware industry consists of all hardware used for mining cryptocurrencies under various kinds of chip architecture and algorithms, currently dominated by ASIC-based and GPU-based mining hardware. According to Frost & Sullivan, the market size of the global ASIC-based cryptocurrency mining hardware industry in terms of revenue increased from US\$0.04 billion in 2013 to US\$3.0 billion in 2017, representing a CAGR of 195.3%.

The global cryptocurrency mining hardware market is highly competitive and dominated by a limited number of major players. According to Frost & Sullivan, the global top three ASIC-based cryptocurrency mining hardware companies, including us, together accounted for approximately 85.2% of the market share in terms of sales revenue in 2017. Among them, we ranked first, accounting for approximately 74.5% of the market share in terms of sales revenue in 2017. Set forth below is our market share and sales revenue of ASIC-based mining hardware compared with our main competitors, according to Frost & Sullivan.

| <u>Ranking</u> | <u>Company</u> | <u>ASIC-based<br/>Cryptocurrency<br/>Mining Hardware<br/>Estimated Sales<br/>Revenue</u><br><i>(US\$ Million)</i> | <u>ASIC-based<br/>Cryptocurrency<br/>Mining Hardware<br/>Market Share<br/>(Revenue)</u><br><i>(%)</i> |
|----------------|----------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| 1              | Bitmain        | 2,263.2                                                                                                           | 74.5%                                                                                                 |
| 2              | Company E      | 189.8                                                                                                             | 6.2%                                                                                                  |
| 3              | Company F      | 135.5                                                                                                             | 4.5%                                                                                                  |

*Notes:*

- (1) The ranking only considers the participants producing final products.
- (2) Exchange Rate is calculated as the midpoint of the Renminbi exchange rate published by the People’s Bank of China on August 8, 2018 (1 US\$ = 6.8313 RMB)

*Source: Frost & Sullivan*

With our dominant market shares and deep technical knowledge in ASIC chip design, we are well-positioned to compete with other existing cryptocurrency mining hardware providers in offering quality cryptocurrency mining products with greater energy efficiency and computing power. At the same time, we are able to leverage our first mover advantage against new market entrants who face significant challenges and barriers in recruiting talent with deep industry knowledge and expertise, acquiring resources in research and development and establishing a professional network in the industry.

#### Artificial Intelligence Chips

Over the past few years, a large number of competitors, including leading IC designers as well as startups, have flocked into the AI chip market. Well-known IC designers and leading high-tech companies are the major competitors in the global AI chip market.

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## BUSINESS

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Due to high entry barriers, currently there are only a limited number of cloud AI chip suppliers in the global market, mainly dominated by a few global players such as NVIDIA and Google. As the first mover in China in the cloud AI chip market, we compete primarily with well-established international suppliers and a number of domestic players who have recently launched their cloud AI chips. With rapid development of the AI chip industry, we expect that the market competition will continue to intensify, considering the potential increase in supplies and unpredictable demands.

### INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We rely on a combination of patent, trademark, copyright and domain name protection in the PRC and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property. In general, our employees enter into a standard confidentiality, non-compete and intellectual property agreement which includes a clause acknowledging that all intellectual properties generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in respect of those works. Despite our precautions, however, third parties may obtain and use intellectual property that we own or license without our consent. During the Track Record Period, we did not find any material breaches of our intellectual property rights. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors – Risks Relating to Our Business and Industry – If we fail to adequately protect our IP rights, our ability to compete effectively or to defend ourselves from litigation could be impaired, which could reduce our total revenue and increase our costs.”

As of June 30, 2018, we had 54 registered patents and 168 pending patent applications in the PRC and other jurisdictions, including 12 pending patent applications for our artificial intelligence business.

As of June 30, 2018, we had 20 registered trademarks and 262 pending trademark applications in the PRC. We also had 46 registered trademarks and 145 trademark applications in overseas jurisdictions as of June 30, 2018.

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As of June 30, 2018, we held 32 software copyrights and six works copyrights, and had two software copyright applications with the State Copyright Bureau of China.

As of June 30, 2018, we owned 25 registered domain names, with 21 of them registered in the PRC and the other four registered overseas, and all of them are in effect. Our legal department monitors our domain names on a quarterly basis, informs each department as their expiration dates approach and follows up with each department on the status of domain name renewal. If any of our domain name registrations cannot be renewed for any reason, the domain name registrar may deregister the relevant domain name.

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

Please see “Appendix IV – Statutory and General Information – Further Information about Our Business – Intellectual property rights” for details of our material intellectual property rights.

## EMPLOYEES

As of June 30, 2018, we had a total of 2,594 full-time employees. Most of our core staff graduated from top-tier universities, including Peking University, Tsinghua University and Chinese Academy of Sciences, and have worked for other top-tier technology companies. A significant portion of our employees are based in the PRC, primarily at Beijing. The following table sets out the breakdown of our full-time employees by function as of June 30, 2018:

| <u>Function</u>                            | <u>Number of Employees</u> | <u>% of Total</u> |
|--------------------------------------------|----------------------------|-------------------|
| Research and development                   | 840                        | 32.38%            |
| Production management                      | 701                        | 27.02%            |
| Maintenance and management of mining farms | 535                        | 20.62%            |
| Administration                             | 235                        | 9.06%             |
| Customer service                           | 209                        | 8.06%             |
| Sales and marketing                        | 74                         | 2.85%             |
| <b>Total</b>                               | <b>2,594</b>               | <b>100.00%</b>    |

Our success depends on our ability to attract, retain and motivate qualified personnel. We primarily recruit our employees through recruitment agencies, on-campus job fairs and online channels. We have adopted a training program, pursuant to which employees regularly receive general and department-specific trainings from internal speakers.

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## BUSINESS

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As required under PRC regulations, we enter into employment contracts with employees and participate in housing fund and various employee social security plans that are organized by applicable local governments, including pension, medical, maternity, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. We purchase commercial health and accident insurance for our employees and their families. We also enter into confidentiality and non-competition agreements with our employees to protect our cutting-edge technologies.

As part of our recruitment and retention strategy, we offer employees competitive salaries, benefits, performance-based cash bonuses and certain other incentives. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. In particular, we have granted, and plan to continue to grant share-based incentive awards to our employees in the future to incentivize their performance and align their interests with our Shareholders. As of the Latest Practicable Date, the total number of underlying Shares of awards that have been granted under the Share Incentive Scheme is [941,491,000], none of which has been vested. See “Statutory and General Information – Share Incentive Scheme” in Appendix IV for further details.

None of our employees are currently represented by labor unions. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. However, labor unrest directed against us could, directly or indirectly, prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could adversely affect our business, financial condition and results of operations. See “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to liability in connection with industrial accidents and labor disputes.”

## PROPERTIES

As of the Latest Practicable Date, we operated our businesses through 50 leased properties and seven self-owned properties in the PRC, and 20 leased properties in Hong Kong, the United States, Canada, Brazil, Georgia, Israel, Kyrgyzstan, Malaysia, the Netherlands, Russia, Singapore and Switzerland. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and primarily serve as our offices, warehouse facilities and/or for operational uses.

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## BUSINESS

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### Owned Properties

The following table sets forth a summary of the land use rights we owned in the PRC as of the Latest Practicable Date:

| <u>No.</u> | <u>Description/Location</u> | <u>Gross Site Area</u><br><i>(square meters)</i> | <u>Existing Use</u> | <u>Expiry Date</u> |
|------------|-----------------------------|--------------------------------------------------|---------------------|--------------------|
| 1          | Inner Mongolia              | 31,045.42                                        | operational use     | 2068.6.12          |
| 2          | Inner Mongolia              | 45,345.18                                        | operational use     | 2068.6.7           |
| 3          | Ningxia                     | 33,335.70                                        | operational use     | 2066.8.23          |
| 4          | Sichuan Province            | 9,338.00                                         | operational use     | 2020.1.31          |

As of the Latest Practicable Date, we owned seven properties with an aggregate GFA of approximately 56,800 square meters, which are primarily used for offices and operational uses. We are in the process of obtaining the relevant building ownership certificates for these seven properties.

As of the Latest Practicable Date, we had obtained certain construction-related approvals and permits for three of them, two of which are located in Inner Mongolia and one in Ningxia. As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, the chance that these properties with construction-related approvals and permits will be ordered to be demolished is remote.

As of the Latest Practicable Date, we had not obtained the construction-related approvals or permits for the other four self-owned properties located in Sichuan Province and Xinjiang. These properties had an aggregate GFA of approximately 7,100 square meters, representing approximately 4.52% of the aggregate GFA of the properties we occupy, as of the Latest Practicable Date. As at the Latest Practicable Date, we are in the process of obtaining such approvals and permits. As advised by our PRC Legal Advisor, pursuant to the applicable PRC laws and regulations, we may be ordered to demolish such properties or pay fines imposed by the relevant governmental authorities. As (i) the relevant business operation conducted on such properties made minimal revenue contribution to our Company during the Track Record Period, and (ii) as of the Latest Practicable Date, we had not received any notice from any governmental authorities that orders us to demolish such properties or imposes any other rectification measures on us, our PRC Legal Advisor concurs with our Directors' view that the lack of the relevant certificates as described above would not have material adverse impacts on our business and operations.

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### Leased Properties

As of the Latest Practicable Date, we leased the land use rights of five parcels of lands with an aggregate Gross Site Area of approximately 15,200 square meters. These lands are primarily used for operation.

The lessors of four parcels of our leased lands located in Sichuan Province and Xinjiang have not provided the respective certificates of land use rights. As advised by our PRC Legal Advisor, pursuant to the applicable PRC laws and regulations, we as a lessee will not be subject to fines or penalties with respect to the lack of certificates of land use rights for leased lands, but our leases may be affected if the title or the lessors' right to lease are challenged by competent governmental authorities or third-parties.

As of the Latest Practicable Date, we leased 50 leased properties with an aggregate GFA of approximately 99,700 square meters in the PRC. These properties are primarily used for offices, warehouse facilities and operational uses.

Of the 50 leased properties in the PRC, lessors of 23 leased properties with an aggregate GFA of approximately 37,200 square meters and representing approximately 23.79% of our total occupied GFA, did not provide valid title certificates. Our PRC Legal Advisor has advised us that we would not be subject to fines or penalties with respect to these properties, but our leases may be affected if the title or the lessor's right to lease is challenged by third-parties.

As of the Latest Practicable Date, 48 lease agreements had not been registered with relevant authorities. Our PRC Legal Advisor is of the view that the non-registration of the lease agreements will not affect their validity, but the relevant local housing administrative authorities may require us to complete registration within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making such registration. Therefore, we have the rights to use such properties in accordance with the leasing agreements but we may be subject to fines if the lease registration is not completed within a specified time frame as required by the relevant local housing administrative authorities.

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### INSURANCE

We have in place the mandatory insurance policies required by PRC laws and regulations in all material aspects and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by PRC laws and regulations. We also purchase supplemental commercial medical insurance and accident insurance for our employees.

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering risks of physical loss, destruction or damage to inventory, work-in-process and raw materials of our products and our fixed assets, including manufacturing facilities. We also maintain freight transport insurance for products to be delivered to our customers.

In line with general market practice, we do not maintain any business interruption insurance, which is not mandatory under the relevant laws of the PRC. We do not maintain key-man life insurance or insurance policies covering damage to our IT infrastructure or information technology systems. During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage is limited and may not be adequate to cover potential losses and liabilities. A significant uninsured loss or a loss in excess of our insurance coverage could have a material adverse effect on our results of operations and financial condition.”

### ENVIRONMENTAL MATTERS

We are subject to PRC environmental laws and regulations, including the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We consider the protection of the environment to be important and have implemented measures in the operation of our business to ensure our compliance with all applicable requirements under the PRC environmental laws and regulations. Due to the nature of our business, our operational activities do not directly generate industrial pollutants, and we did not incur significant cost for compliance with applicable environmental protection laws and regulations during the Track Record Period. Our Directors do not expect that we will incur significant costs in this aspect in the future.

During the Track Record Period, we had not received any material complaint, notice or warning in respect of any environmental protection issues, nor had we been subject to material fines, penalties or other legal actions by government authorities in the PRC resulting from any non-compliance with any environmental protection laws or regulations in the PRC.

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### OCCUPATIONAL HEALTH AND WORK SAFETY

Our operations are subject to PRC laws and regulations, national standards and industrial standards which stipulate the requirements to maintain safe working conditions and to protect the occupational health of our employees. Pursuant to the above requirements, we require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. We have implemented work safety policies and procedures to ensure compliance with applicable regulatory requirements and to minimize the risk of injury of our employees. We have also implemented an internal control system to ensure the proper documentation of any workplace safety incidents.

During the Track Record Period, we had not experienced any severe accidents during our ordinary course of business, nor had we been subject to material fines, penalties or other legal actions by government authorities in the PRC resulting from any non-compliance with applicable PRC laws and regulations in relation to occupational health and work safety matters.

### RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various types of risks during our ordinary course of business, including (i) financial reporting risks relating to our financial statements preparation and budget management; (ii) investment risks relating to our business strategy and planning; (iii) internal control risks in relation to our business operations; (iv) IT system risks; (v) human resources risks; and (vi) cryptocurrency risks, primarily risks associated with the market price of cryptocurrencies. For more information, see the section headed “Risk Factors – Risks Relating to Our Business and Industry” in this document.

We have designed and implemented relevant risk management policies to address these potential risks identified in relation to our business. Our risk management system sets out procedures to identify, analyze, assess, mitigate and monitor any potential risks. The procedures also set out the relevant reporting hierarchy of risks identified during our operations. Our Board is responsible for overseeing our overall risk management and our Audit Committee, comprising of Mr. Sun Hanhui, Mr. Wang Xiaochun and Mr. Deng Feng, is responsible for implementation and supervision of risk management strategies, measures and policies. We continually review the implementation of our risk management policies and measures to ensure that our policies and implementation are effective and sufficient.

#### Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand our accounting policies.

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As of June 30, 2018, our finance department consisted of 72 employees. It is headed by Mr. Liu Jianchun, who has years of experience in financial management.

### **Investment Risk Management**

We have invested in and will continue to invest in and acquire businesses that are complementary to our business and growth strategies, which are generally members of the broader “blockchain ecosystem.” For more information, see the sections headed “Business – Our Strengths – Pioneer in the thriving blockchain ecosystem” and “– Our Strategies – Advancing our presence in the blockchain industry” in this document.

We have set up an annual investment plan in line with our business strategies. An investment budget is set up based on our overall financial conditions every year.

To manage potential risks associated with investment, we normally require our investee companies to grant us certain protective rights, which may include veto rights, information rights, liquidation preference, redemption rights, anti-dilution rights, pre-emptive rights and rights of first refusal and co-sale rights. Depending on our negotiations with the investee companies, we may not be granted all of the rights requested.

Our investment department is responsible for investment project sourcing, screening, execution and portfolio management. The department sources investment projects in accordance with our investment strategy, and conducts thorough pre-investment due diligence to assess the risks and potentials of the investment projects. We employ different levels of approval and due diligence mechanisms corresponding to the specific circumstances involved in an investment project.

In addition, our investment department is responsible for monitoring the performance of each investment on a regular basis. The department is also responsible for preparing analysis reports and providing recommendations on measures to reduce any risks involved in each investment project, and it reports to the head of the department and then to our Board if there is any material change to the financial position of an investment.

### **Internal Control Risk Management**

We have designed and adopted stringent internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Each department of our Company is separately responsible for implementing and effecting these policies. Internal control processes and procedures are established for various aspects of the business such as research and design project management, contract management, sales and collections management, procurement and payment management, inventory and warehousing management, quality assurance management, human resources and payroll management, cash management and intellectual property management. Policies and procedures in respect of these business areas are mostly formalized, and we have in place regular channels for the escalation of any internal control issues.

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In accordance with our internal procedures, our in-house legal department, which consists of 16 employees as of June 30, 2018 with rich experience in internal control, performs the basic function of reviewing and updating the form of contracts we enter into with our customers, suppliers, production partners and other service providers. Our legal department typically examines the contract terms and reviews relevant documents for our business operations, including licenses and permits of our business partners and due diligence materials, before we enter into any contract or business arrangement. Meanwhile, we have in place enhanced internal procedures to ensure that our in-house legal department continues to oversee our legal and regulatory compliance-related matters, and retain external legal advisors to advise on compliance matters when necessary. Our in-house legal department is also responsible for obtaining all material requisite governmental pre-approvals and consents, including preparing and submitting necessary documents for filing with relevant government authorities on time.

For IP-related issues, we have engaged devoted and specialized external IP legal advisors to work with our in-house IP department in registering, and applying and reviewing the relevant patent and trademark rights of our IPs.

### **IT System Risk Management**

The proper functioning of our technology infrastructure is critical to the conduct of our business. Given that we receive, process, store and transmit, often electronically, the data of our customers and others, most of which is confidential, cyber-security is essential to our success. We have in place a set of enhanced internal procedures and controls to ensure the satisfactory performance, reliability and availability of our platform, our transaction-processing systems and our network infrastructure. We have also implemented relevant security measures for the collection, storage and use of user data to protect user data and prevent loss of such data, whether through hacking, fraud or other means.

As of June 30, 2018, our IT security center consisted of 18 employees in total, responsible for the security of our IT systems and infrastructure, including, among others, ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and the applicable laws and regulations.

We have established a systematic and universal user account authorization and management mechanism based on which we periodically review the status of user accounts and the related authorization information. We regularly perform security configuration assessments on our databases and servers and implement procedures for system log management.

We have in place a series of back-up management procedures. For our mining pools, we deploy different back-up mechanisms, including local back-ups and offsite back-ups, depending on the needs of our business, to minimize the risk of user data loss or leakage. We have established protocols for the design, implementation and monitoring of offsite back-ups. We perform data recovery tests on a regular basis and retain relevant records.

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We provide information security training to our employees, conduct ongoing trainings and discuss any issues and updates from time to time. We have also implemented a set of *Information Safety Management Procedures* to mitigate the risks involved in the management of our daily operational data and information. Procedures such as information system development and maintenance, IT equipment management, access control, password policy, user authorization review and approval and data back-up, as well as data recovery tests, are adopted to safeguard our information assets and ensure the proper management of our operational data.

### **Human Resources Risk Management**

We provide regular and specialized training tailored to the needs of our employees in different departments. We have a training center which regularly organizes internal training sessions conducted by senior employees or outside consultants on topics critical to our business operations. The training center schedules regular trainings, reviews training materials and follows up with employees to evaluate the trainings. Through these trainings, we ensure that our staff’s skillsets remain up to date and that they are able to deepen their understanding of the industry.

We have implemented *Human Resources Control Procedures* to ensure the efficient management of our human resources, including internal rules and guidelines relating to recruitment, staffing, talent management, training and performance review. We have in place an employee handbook, which is approved by our management and shared with all our employees.

We also have in place an anti-corruption policy and whistleblowing process to safeguard against any corruption and other act that infringes the lawful rights and interests of our Company or our employees within our Company. We have issued the *Management Policy on Business Conduct and Code of Ethics* to our staff to explain our principles and internal rules in respect of best commercial practice, work ethics, confidentiality, compliance with law and preventive mechanisms to avoid conflicts of interest. We have also issued the *Complaint Reporting Management Policy* to keep our internal reporting channel open and available for our staff to report any acts of corruption, and our staff can also make anonymous reports to our risk management department. Our risk management department is responsible for investigating the incidents reported and taking appropriate measures.

### **Cryptocurrency Risk Management**

Our business and financial condition correlate closely with the market price of cryptocurrencies. We held approximately 28% of our total assets in cryptocurrency as of June 30, 2018. We accumulated cryptocurrencies mainly through payments received from customers for the sale of mining hardware and proprietary mining activities. We account for cryptocurrency assets at cost, instead of revaluing cryptocurrencies at their fair value on each accounting reference date. In addition, we only recognize impairment from cryptocurrency assets, if any, and do not recognize any increase in value from the appreciation of cryptocurrency assets over the original cost prior to our disposal of cryptocurrencies.

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We have a dedicated team to manage our cryptocurrencies. Our finance department monitors the amount of and fluctuations in the market price of cryptocurrencies received from our ordinary operations on a daily basis and makes recommendations to the management team on conversion of cryptocurrencies into standard currencies based on our operational and cash flow needs. In addition, we conduct regular pressure tests of the value of cryptocurrencies to effectively control the risk of volatility in the price of the cryptocurrencies.

After due consideration, our Directors are of the view that our current internal control measures are adequate and effective.

### LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

#### Legal Proceedings

We may from time to time be subject to legal proceedings, investigations and claims relating to the conduct of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. See “Risk Factors – Risks Relating to Our Business and Industry – We may be involved in legal and other disputes from time to time arising out of our operations, including any dispute with our raw material or component suppliers, production partners, other third-party service providers, customers or employees.”

As of the Latest Practicable Date, we were not a party to, nor are we aware of, any material litigations, arbitrations, investigations or claims pending or threatened by or against us or any of our Directors, which, in the opinion of our Directors, were likely to have a material adverse effect on our business, financial condition or results of operations.

#### Compliance

During the Track Record Period and up to the Latest Practicable Date, we had no material incidents of non-compliance relating to our operation.