



# 映客互娛有限公司 Inke Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3700



## GLOBAL OFFERING

Joint Sponsors  
(in alphabetical order)



Deutsche Bank Group 

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Deutsche Bank Group 



Joint Bookrunners and Joint Lead Managers



Joint Lead Manager



## IMPORTANT

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



### Inke Limited 映客互娛有限公司

(Incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	302,340,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	30,234,000 Shares (subject to adjustment)
Number of International Offer Shares	:	272,106,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$5.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$3.47 per Hong Kong Offer Share.
Nominal value	:	US\$0.001 per Share
Stock code	:	3700

#### Joint Sponsors

(in alphabetical order)



#### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



#### Joint Bookrunners and Joint Lead Managers



#### Joint Lead Manager



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

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or about Wednesday, July 4, 2018 and, in any event, not later than Monday, July 9, 2018. The Offer Price will be not more than HK\$5.00 per Offer Share and is currently expected to be not less than HK\$3.85 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, July 9, 2018 (Hong Kong time) among the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not proceed and will lapse.

**The Joint Global Coordinators (on behalf of the Hong Kong Underwriters), may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.**

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

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## EXPECTED TIMETABLE

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Latest time for completing electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(2)</sup> . . . . .	11:30 a.m. on Wednesday, July 4, 2018
Application lists open <sup>(3)</sup> . . . . .	11:45 a.m. on Wednesday, July 4, 2018
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms . . . . .	12:00 noon on Wednesday, July 4, 2018
Latest time for completing payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .	12:00 noon on Wednesday, July 4, 2018
Latest time for giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> . . . . .	12:00 noon on Wednesday, July 4, 2018
Application lists close <sup>(3)</sup> . . . . .	12:00 noon on Wednesday, July 4, 2018
Expected Price Determination Date <sup>(5)</sup> . . . . .	Wednesday, July 4, 2018
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed “Structure of the Global Offering — Announcement of Offer Price Reduction”) on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and the Company’s website at <a href="http://www.inke.cn">www.inke.cn</a> on or before . . . . .	Wednesday, July 11, 2018
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on or before . . . . .	Wednesday, July 11, 2018
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants’ identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus . . . . .	Wednesday, July 11, 2018
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company’s website at <a href="https://www.inke.cn">https://www.inke.cn</a> <sup>(6)</sup> from . . . . .	Wednesday, July 11, 2018
Results of allocations in the Hong Kong Public Offering will be available at <a href="http://www.iporeresults.com.hk">www.iporeresults.com.hk</a> (alternatively: English <a href="https://www.eipo.com.hk/en/Allotment">https://www.eipo.com.hk/en/Allotment</a> ; Chinese <a href="https://www.eipo.com.hk/zh-hk/Allotment">https://www.eipo.com.hk/zh-hk/Allotment</a> ) with a “search by ID” function from . . . . .	Wednesday, July 11, 2018

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## EXPECTED TIMETABLE

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Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before <sup>(7)(9)</sup> . . . . .	Wednesday, July 11, 2018
Dispatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before <sup>(8)(9)</sup> . . . . .	Wednesday, July 11, 2018
Dealings in the Shares on the Stock Exchange expected to commence on . . . . .	Thursday, July 12, 2018

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*Notes:*

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 4, 2018, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Wednesday, July 4, 2018 and, in any event, not later than Monday, July 9, 2018. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us by Monday, July 9, 2018, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses – Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, July 11, 2018 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

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## EXPECTED TIMETABLE

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Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

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

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

**The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.**

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### IMPORTANT NOTICE TO INVESTORS

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

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading mobile live streaming platform in China. We are especially popular among young, active customers with strong spending power. Our highly engaged users are willing to communicate, interact and share publicly through our platform. Our core product, the Inke App, officially launched in May 2015, had attracted over 194.5 million registered users as of December 31, 2017. According to Frost & Sullivan, we were the second largest mobile live streaming platform in China in terms of revenue in 2017, with a revenue of RMB3,941.6 million and a market share of 15.3%. We were also the largest mobile live streaming platform in China in terms of average monthly active streamers in 2017, and the fourth largest in terms of average monthly paying users in 2017.

Our mission is to make it easier to pursue happiness (讓快樂更簡單). Our vision is to transform entertainment through video streaming (讓娛樂視頻化).

People have natural demands for entertainment and companionship. We see mobile live streaming as an advanced form of online interaction to satisfy such demands. We connect viewers with streamers of desirable personalities, appearance or talents, and provide a platform for them to interact with each other anytime, anywhere. Our platform strengthens the bonding among our users through more than 3.3 billion minutes of live streaming facilitated and over 7.8 billion messages communicated on our platform in 2017. Such bonding in turn further enhances our user engagement and stickiness, and helps to attract more aspiring users to our platform.

We are a pioneer in our industry, capitalizing on market opportunities through continuous product innovation. During a three-year span, we have introduced multiple innovative functions including Instant Watch (秒開), Real-time Beautification (實時美顏) and PK (直播對戰), which we believe greatly enhanced our user experience and contributed to the popularity of our platform.

We have achieved strong monetization since the very beginning of our operating history. We generate revenue mainly through the sale of virtual items and services on our platform. Our users can purchase Inke Diamonds, the virtual currency on our platform, through multiple payment channels. Inke Diamonds can be used to purchase a variety of virtual items, which our users can give to other users as a gesture of friendship, admiration or support. Users can also use Inke Diamonds to subscribe for or purchase other value-added services to enhance their interaction experiences. The popularity of our platform and the high level of user engagement and attention has also attracted a number of advertisers to our platform, allowing us to further monetize our user base and generate additional revenue.

### OUR PLATFORM

#### Our Core Application

We officially launched our core application, the Inke App, in May 2015. The Inke App is available for download through Apple’s App Store and various Android application stores. We offer an entertaining, fashionable and lively platform for our users to interact with each other on a real-time basis.

As of December 31, 2017, a total of 36.8 million users provided a wide range of performances through live streaming as streamers on our platform to display their talents, showcase their knowledge and skills, and share their lifestyles. As of December 31, 2017, we had a total of 194.5 million registered users, who can watch our streamers’ performances and interact with the streamers and other users in a variety of ways, including sending virtual items, playing games together, communicating through instant messages or private messages, and competing for prizes on real-time basis.



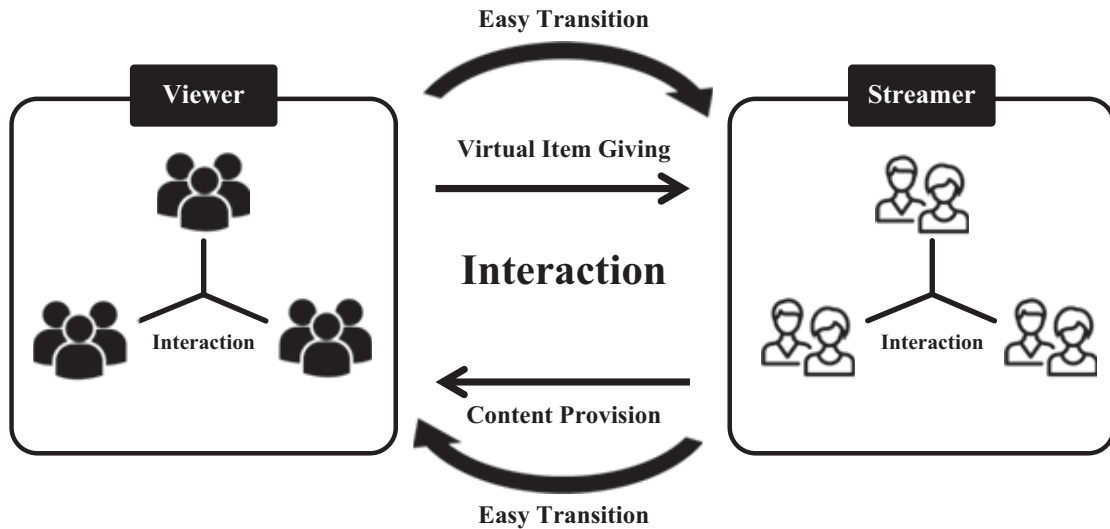
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## SUMMARY

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### Our Users

The following diagram sets forth the typical relationships among our viewers and streamers.



### Viewers

Viewers watch the performances of our streamers and interact with the streamers and other users in various ways.

We believe that viewers are attracted to our platform because of the immersive interaction experiences we offer that satisfy their spiritual demands for entertainment and companionship.

According to a survey conducted by Frost & Sullivan, as of December 2017, 57.6% of our viewers were aged between 18 to 27, 18.5% of them were aged between 28 and 35, and 46.5% of them were female.

### Streamers

Streamers are the primary sources of the content generated on our platform. Streamers provide a wide range of performances in virtual live streaming “rooms,” to display their talents, showcase their knowledge and skills, and share their lifestyles.

We believe that streamers are attracted to our platform because it is fun and fashionable to stream on our platform, and because we provide them with a channel through which they can express themselves, share their feelings, and interact with other users on a real-time basis. In addition, we also offer them the opportunities to generate income, to gain peer recognition, to become internet celebrities and to potentially enter into the pan-entertainment industry.

67.2% of our active streamers in 2017 were aged between 18 to 27, 22.0% of them were aged between 28 to 35, and 55.3% of them were female.

### *Contractual arrangements with streamers and streamer agents*

Our streamers are bound by our community guidelines and our standard terms of service, which set forth, among other things, the revenue sharing arrangements between the streamers and us, the privacy policy, the anti-money laundering policy, and the ownership of the intellectual property rights in relation to the streaming contents. For certain streamers who we believe have the potential to become internet celebrities, we enter into additional contracts with them. Such additional contracts are typically negotiated on a case-by-case basis, and may include clauses setting forth, among other things, the minimum number of hours the streamers must stream on our platform, the base compensation they can receive, and the revenue sharing economics. Such contracts will normally contain exclusivity clauses forbidding the streamers to stream on other platforms.

We also cooperate with streamer agents who manage professional streamers. We enter into cooperation agreements with such agents, which may provide for, among other things, the number of streamers to be introduced to our platform, and the commissions we pay to the agents.

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## SUMMARY

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### Interactions among Our Users

Our platform enables our streamers and viewers to interact in various ways, such as sending virtual items, live chatting, communicating through instant messages or private messages, and playing social games together.

We provide a variety of features, functions and services to our users, such as PK and Tri-party Live Chat (三連麥) to bring our users closer together, enhancing their loyalty and stickiness to our platform, and providing them with more engaging, immersive entertainment experience.

### Our Content Monitoring Efforts

We operate in an industry that attracts scrutiny from relevant government authorities, and we closely monitor the content generated by our users to maintain a healthy ecosystem, and to ensure strict compliance with PRC laws and regulations. All users on our platform are required to abide by our terms of service, which strictly prohibit inappropriate content across our platform. Our community guidelines set forth the prohibited content and actions in details. We have a dedicated content monitoring team in charge of promptly and accurately detecting violations of our terms of service and enforcing our internal policies, and we utilize advanced content monitoring technologies to automatically detect and screen inappropriate content. See “Business — Quality Control and Content Monitoring” for more information about our content monitoring efforts.

### OUR BUSINESS MODEL

We generate most of our revenues from the operation of live streaming business.

Users can purchase Inke Diamonds, our virtual currency, and use Inke Diamonds to purchase virtual items and other value-added services on our platform. When a streamer receives a virtual item, our system will automatically convert the virtual item into the corresponding amount of Inke Coins, which will be deposited in the account of such streamer on our platform. The streamer can then choose to exchange the Inke Coins accumulated into Renminbi, at an exchange rate we set. During the Track Record Period, the exchange rate between Inke Coins and RMB at the cash withdrawal stage was 32 Inke Coins for one RMB Yuan. Under the basic revenue sharing scheme between us and our streamers, we share with our streamers approximately 31 % of the total value of the virtual items received by them. Considering the fact that we also rewarded our streamers additional incentive Inke Coins based on our Inke Coin reward policies, the actual revenue sharing percentage with our streamers would be higher. During the Track Record Period, our streamer costs as a percentage of our revenue from our live streaming business was approximately 55%.

Leveraging our large user base and the popularity of our streamers, we also offer advertising services to advertisers in different industries.

### Customers

For our live streaming business, our customers are our paying users, who buy virtual items and other services we offer, and interact with other users. For our advertisement business, our customers are advertisers who purchase display advertisements on our platform or cooperate with our platform to organize their promotional campaigns.

### Suppliers

Our streamers and streamer agents are major groups of our suppliers. Implementing our aspiration of “all to stream, stream to all (‘全民直播’)” we seek to motivate each of our users to perform as streamer and established a large and robust streamer base. As such, we do not rely on any particular streamer or streamer agent.

Other than streamers and streamer agents, our suppliers primarily include payment channels and service providers for server hosting and bandwidth leasing.

### OUR STRENGTHS

As a leader and persistent innovator in the industry, we believe the following key competitive strengths have contributed to our success:

- Leading mobile live streaming platform
- Highly engaged user base with strong spending power
- Scalable business model with proven monetization
- Persistent innovator with convincing track record
- Visionary and experienced management team

## SUMMARY

### OUR STRATEGIES

To further solidify our leading position in the live streaming industry in China, we plan to continue the following growth strategies:

- Diversify our business and product offerings
- Expand our user base
- Invest in technologies to optimize user experience
- Strengthen our monetization capability
- Seek strategic investment and acquisition opportunities

In order to maintain our competitiveness, we plan to (i) continue to improve our user engagement and stickiness by introducing additional engaging features and functions, and (ii) enhance our sales and marketing efforts.

### SELECTED OPERATING DATA

Our results of operations is primarily affected by several key metrics: (i) monthly active users, or MAUs; (ii) monthly paying users, or MPUs; (iii) monthly active streamers, or MASs; and (iv) average gross billings per paying user, or AGBPPU.

The following table sets forth our relevant operating data for our live streaming platform for the periods indicated:

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2016				2017				2018
	<b>(in thousands, except for percentages)</b>								
Average MAUs . . . . .	15,370	25,588	29,798	30,006	22,124	20,302	23,165	25,184	25,254
<i>Comparison against the previous quarter (%) . . . . .</i>		66.5	16.5	0.7	(26.3)	(8.2)	14.1	8.7	0.3
Average MPUs . . . . .	1,501	2,615	2,566	2,486	1,824	1,033	610	652	729
<i>Comparison against the previous quarter (%) . . . . .</i>		74.2	(1.9)	(3.1)	(26.6)	(43.4)	(40.9)	6.9	11.8
Average MASs . . . . .	1,780	6,162	7,141	6,456	3,709	2,921	1,974	1,506	925
<i>Comparison against the previous quarter (%) . . . . .</i>		246.2	15.9	(9.6)	(42.5)	(21.2)	(32.4)	(23.7)	(38.6)
	<b>(in RMB, except for percentages)</b>								
Average monthly AGBPPU . . . . .	133	172	186	172	202	314	436	673	540
<i>Comparison against the previous quarter (%) . . . . .</i>		29.3	8.1	(7.5)	17.4	55.4	38.9	54.4	(19.8)
	<b>(in RMB million, except for percentages)</b>								
Gross billings . . . . .	609	1,340	1,435	1,269	1,103	952	800	1,317	1,181
<i>Comparison against the previous quarter (%) . . . . .</i>		120.0	7.1	(11.6)	(13.1)	(13.7)	(16.0)	64.6	(10.3)

Our average MAUs decreased from the first quarter of 2017 until the second quarter of 2017, our average MASs decreased from the fourth quarter of 2016 to the first quarter of 2018 and our average MPUs declined from the third quarter of 2016 until the third quarter of 2017, primarily because of (i) the slowdown of the industry-wide growth rate in active and paying user base in 2017 following the explosive growth the industry experienced in 2016; (ii) the decline in the activeness of a number of our users after the initial try-out period; (iii) further fragmentation of the mobile live streaming market in China as more companies were attracted to the market; and (iv) other online and offline entertainment choices available to our users. Despite the decreases in our average MPUs from the third quarter of 2016 until the third quarter of 2017, our quarterly gross billings decreased at a much slower rate over the same period. This is primarily because we were able to maintain a group of paying users with higher spending on our platform who contributed a major portion of our gross billings, and the size of such group had been relatively stable.

Our average MAUs started to increase again since the third quarter of 2017, and our average MPUs started to increase as well since the fourth quarter of 2017, primarily because we introduced new features and functions to our Inke App such as PK and Customized Recommendation, which enhanced our user engagement.

Our average monthly AGBPPU increased from the first quarter to the second quarter of 2016, remained at a relatively stable level with minor fluctuations from the second quarter to the fourth quarter of 2016, followed by further increase thereafter. Such changes were mainly because some initial try-out users became less active. In addition, the new features that we launched such as PK and Customized Recommendation greatly enhanced the paying users' involvement and stickiness, and contributed to the significant increase of our average monthly AGBPPU in the fourth quarter of 2017.

## SUMMARY

See “Financial Information — Description of Major Components of Our Results of Operations — Revenue — Live streaming” for further details of the performance of our platform during the Track Record Period, and see “— Recent Developments” for a brief discussion of the performance of our platform from January to May 2018.

### SUMMARY HISTORICAL FINANCIAL INFORMATION

The following is a summary of our historical financial information as of and for the years or periods ended December 31, 2015, 2016 and 2017, extracted from the Accountant’s Report set out in Appendix I to this prospectus. The summary below should be read in conjunction with the combined financial information in Appendix I, including the accompanying notes and the information set forth in the section headed “Financial Information” in this prospectus. Our combined financial information was prepared in accordance with IFRS.

#### Summary of Combined Statements of Comprehensive Income

The following table sets forth a summary of our combined statements of comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Period from March 31 to December 31, 2015	Year ended December 31,	
		2016	2017
	(in RMB thousands)		
Revenue . . . . .	28,702	4,334,859	3,941,596
Cost of sales . . . . .	(14,859)	(2,697,865)	(2,545,854)
Gross profit . . . . .	13,843	1,636,994	1,395,742
Selling and marketing expenses . . . . .	(10,009)	(721,778)	(344,154)
Administrative expenses . . . . .	(1,793)	(227,314)	(95,963)
Research and development expenses . . . . .	(133)	(198,524)	(193,242)
Operating profit . . . . .	1,903	493,901	871,182
Fair value loss of financial instruments with preferred rights . . . . .	(50,876)	(1,856,809)	(1,031,485)
Loss for the period/year . . . . .	<u>(49,416)</u>	<u>(1,467,126)</u>	<u>(239,509)</u>
<b>Non-IFRS Measure</b>			
Adjusted net profit <sup>(1)</sup> . . . . .	<u>1,460</u>	<u>568,197</u>	<u>791,976</u>

*Note:* (1) To supplement our combined financial statements which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. Adjusted net profit is calculated using loss for the period/year, and add back non-cash share-based compensation expenses and non-cash fair value loss of financial instruments with preferred rights. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our net profit/loss for the year. Please see the section headed “Financial Information — Non-IFRS Measure” for more information.

The table below sets forth the reconciliation of adjusted net profit to loss for the period, the most directly comparable IFRS financial measure, for the periods indicated:

	Period from March 31 to December 31, 2015	Year ended December 31,	
		2016	2017
	(in RMB thousands)		
Loss for the period /year . . . . .	(49,416)	(1,467,126)	(239,509)
Add: non-cash fair value loss of financial instruments with preferred rights <sup>(1)</sup> . . . . .	50,876	1,856,809	1,031,485
Add: non-cash share-based compensation expenses <sup>(2)</sup> . . . . .	—	178,514	—
<b>Adjusted net profit</b> . . . . .	<u>1,460</u>	<u>568,197</u>	<u>791,976</u>

*Notes:* (1) Represents changes in fair value of the financial instruments with preferred rights issued by Beijing Meelive. The financial instruments are not traded in an active market and the fair value at respective reporting dates was determined using valuation techniques. Please refer to Note 24 to the Accountant’s Report included in Appendix I to this prospectus for details of the key assumptions of the valuation.

(2) Refers to share-based compensation benefits provided to certain employees via the employee share scheme. Please refer to Note 32 to the Accountant’s Report included in Appendix I to this prospectus for more information.

## SUMMARY

Our total expected market capitalization immediately upon completion of the Global Offering shall exceed HK\$4,000 million. Therefore, we are eligible to apply for a listing relying on Rule 8.05(3) of the Listing Rules.

### Summary of Combined Balance Sheets

The following table sets forth a summary of our combined balance sheets as of the dates indicated.

	As at December 31,		
	2015	2016	2017
	(in RMB thousands)		
Total non-current assets . . . . .	5,078	190,185	318,683
Total current assets . . . . .	126,527	1,678,083	2,335,387
Total assets . . . . .	131,605	1,868,268	2,654,070
Total non-current liabilities . . . . .	171,245	2,355,958	3,375,103
Total current liabilities . . . . .	21,851	861,742	868,131
Total liabilities . . . . .	193,096	3,217,700	4,243,234
<b>Net current assets</b> . . . . .	104,676	816,341	1,467,256
<b>Net liabilities</b> . . . . .	61,491	1,349,432	1,589,164
Share capital . . . . .	—	—	—
Other reserves . . . . .	(12,075)	167,110	166,424
Accumulated deficits . . . . .	(49,416)	(1,516,542)	(1,755,954)
Non-controlling interests . . . . .	—	—	366
<b>Total equity</b> . . . . .	<u>(61,491)</u>	<u>(1,349,432)</u>	<u>(1,589,164)</u>

We had net liabilities during the Track Record Period, primarily because we had financial instruments with preferred rights that were designated as liabilities and stated at fair value on our combined balance sheet, and the increases in their fair value were recognized as fair value loss on our combined income statement. We incurred significant fair value loss of financial instruments with preferred rights, as the fair value of our shares with preferred rights increased significantly due to the growth of our business during the Track Record Period. As a result, even though we have been generating operating profits, we recorded accumulated losses during the Track Record Period. Our financial instruments with preferred rights will be derecognized from liabilities and accounted for as an increase in equity at the fair value upon the Listing. We will not incur any additional fair value loss on financial instruments with preferred rights upon derecognition of these liabilities after the Listing, but we may retain accumulated losses immediately after the Listing due to the fair value loss of financial instruments with preferred rights recorded prior to the Listing.

### Summary of Combined Statements of Cash Flow

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

	Period from March 31 to December 31, 2015	Year ended December 31,	
		2016	2017
	(in RMB thousands)		
Net cash generated from operating activities . . . . .	14,108	1,293,098	734,173
Net cash used in investing activities . . . . .	(46,474)	(128,741)	(106,166)
Net cash generated from financing activities . . . . .	50,000	228,525	143,890
Net increase in cash and cash equivalents . . . . .	17,634	1,392,882	771,897
Cash and cash equivalents at beginning of year/period . . . . .	—	17,634	1,410,880
Exchange gains on cash and cash equivalents . . . . .	—	364	—
Cash and cash equivalents at end of year/period . . . . .	<u>17,634</u>	<u>1,410,880</u>	<u>2,182,777</u>

## SUMMARY

### KEY FINANCIAL RATIOS

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

	Period from March 31 to/ As of December 31, 2015	Year ended/As of December 31,	
		2016	2017
		(%)	
<b>Profitability</b>			
Gross margin <sup>(1)</sup> . . . . .	48.2	37.8	35.4
Net margin <sup>(2)</sup> . . . . .	(172.2)	(33.8)	(6.1)
Adjusted net margin <sup>(3)</sup> . . . . .	5.1	13.1	20.1
		(times)	
<b>Liquidity</b>			
Current ratio <sup>(4)</sup> . . . . .	5.8	1.9	2.7

- Notes: (1) Gross margin is calculated by dividing gross profit by our revenues.  
(2) Net margin is calculated by dividing profit/(loss) for the period/year by our revenues.  
(3) Adjusted net margin is calculated by dividing our adjusted net profit by our revenues.  
(4) Current ratio is calculated by dividing current assets by current liabilities.

Our net margin and adjusted net margin improved significantly during the Track Record Period, despite the slight decreases in our gross margin, primarily because we improved our operating efficiency and strategically controlled our selling and marketing expenses when the industry entered into the fragmentation stage in 2017. Please refer to the section headed “Financial Information — Year to Year Comparison of Results of Operations” for other factors affecting our net margin and adjusted net margin.

### OUR INDUSTRY AND COMPETITIVE LANDSCAPE

In recent years, driven by factors including the upgrades in entertainment consumptions and the transformation of lifestyles of young Chinese consumers, mobile culture and entertainment spending in China has witnessed rapid growth. According to the Frost & Sullivan Report, mobile culture and entertainment spending of Chinese consumers increased at a CAGR of 36.9% from RMB39.3 billion in 2012 to RMB189.2 billion in 2017, and is expected to further increase to RMB727.1 billion in 2022 at a CAGR of 30.9% from 2017 to 2022. The market size of mobile video-based entertainment in China amounted to RMB46.4 billion in 2017, and is expected to increase to RMB128.8 billion in 2022. China’s mobile live streaming market has also grown rapidly in recent years. According to the Frost & Sullivan Report, the mobile live streaming monthly active user base in China increased from 5.6 million in 2012 to 176.0 million in 2017 at a CAGR of 99.3%, and is expected to further increase to 501.3 million in 2022, representing a CAGR of 23.3%. The mobile live streaming market size grew from RMB105.7 million in 2012 to RMB25.7 billion in 2017 at a CAGR of 200.0%, and is expected to further increase to RMB97.8 billion in 2022, representing a CAGR of 30.6%.

By the major type of streaming content of the platforms, mobile live streaming platforms can be largely categorized into pan-entertainment live streaming platforms, game live streaming platforms and others. Game live streaming platforms typically rely heavily on a small number of top game streamers, and pay significant upfront sign on fees to and share a higher percentage of revenue with them as compared to pan-entertainment live streaming platforms, which typically have lower entry barriers for streamers and offer richer streaming contents. According to the Frost & Sullivan Report, users on pan-entertainment live streaming platforms are generally more willing to pay as compared to game live streaming platforms. The paying user ratio, and the average gross billings (or revenue) per paying user, of pan-entertainment live streaming platforms are typically much higher than that of game live streaming platforms.

According to the Frost & Sullivan Report, in 2017, the leading mobile live streaming platforms in China include Inke, Momo, YY Live, Huya and Douyu. Certain other players in the internet industry in China such as Kuaishou and Toutiao had also established their mobile live streaming businesses. We were the largest mobile live streaming platform in China in terms of average monthly active streamers in 2017, the second largest in terms of revenue in 2017, and the fourth largest in terms of average monthly paying users in 2017.

We operate in a highly competitive and dynamic industry. According to Frost & Sullivan, the mobile live streaming industry in China entered into a fragmentation stage in 2017, with many new players entered into the

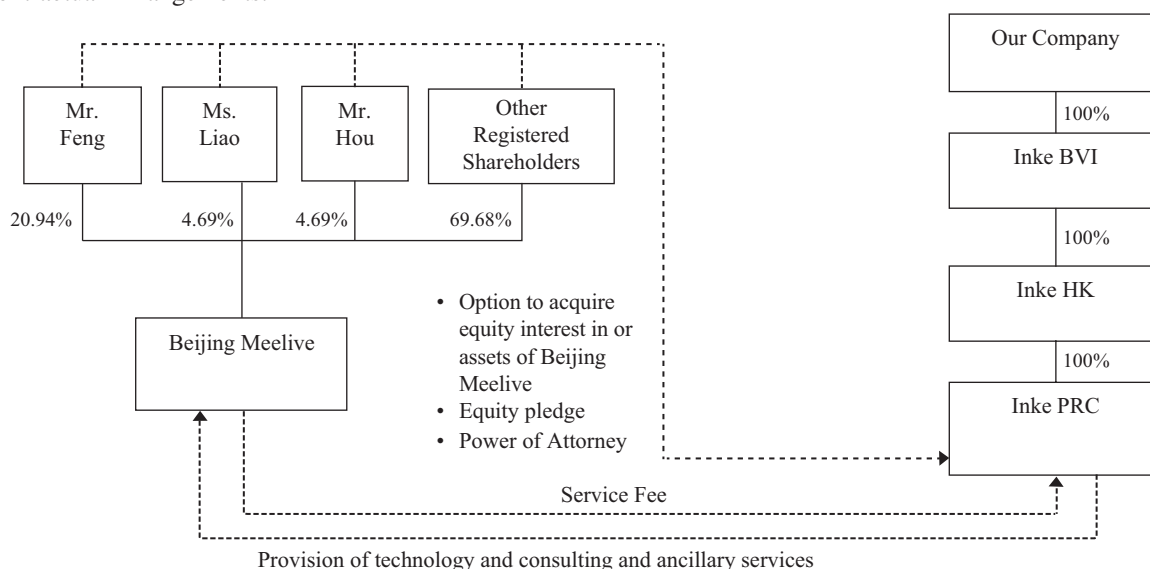


## SUMMARY

market and a number of platforms incurred hefty expenses in their marketing and promotional efforts to attract user traffic. Partially as a result of the intensified competition and our strategic decision not to pursue a similar high cash-expenditure marketing strategy during such fragmentation stage, we experienced declines in some of our key operating metrics such as MAUs, MASs, MPUs and gross billings in 2017, especially the first half of 2017.

### CONTRACTUAL ARRANGEMENTS

We are primarily engaged in the operations of mobile live streaming platforms (the “Principal Business”) and are considered to be engaged in the provision of value-added telecommunications services, internet cultural services, online audio and video program services and talent agency services. Beijing Meelive and its subsidiaries hold the relevant licenses required for carrying out the above services and operating the aforementioned businesses. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity engaging in internet cultural activities and online audio and video program streaming services and are restricted to conduct value-added telecommunications services and talent agency services. Accordingly, we cannot acquire equity interest in Beijing Meelive and its subsidiaries, which conducts our Principal Business and the platform support services which operate through, and are closely related to and interdependent on the operation of, our mobile live streaming platforms and holds the assets and certain licenses, approvals and permits required for the operation of our Principal Business. For further details of the limitations on foreign ownership in PRC companies operating mobile live streaming platforms and providing value-added telecommunications services and the licensing and approval requirements applicable to our Principal Business under PRC laws and regulations, please refer to the section headed “Regulatory Overview” in this prospectus. Please also refer to the section headed “Contractual Arrangements” in this prospectus for further details of the Contractual Arrangements and the terms of the underlying agreements. The following simplified diagram illustrates the flow of economic benefits from Beijing Meelive to our Group stipulated under the Contractual Arrangements:



*Note:* Shareholdings of the other Registered Shareholders are as follows: Duomi Online as to 14.59%, Xizang Kunnuo as to 10.23%, Inke Changqing as to 7.79%, Inke Yuanda as to 5.06%, Inke Huanzhong as to 5.06%, Zihui Juxin as to 6.38%, Xiamen Shengyuan as to 6.12%, Jiaying Guangxin as to 3.00%, GSR Zhaohua as to 2.43%, Jiaying Guangmei as to 2.03%, Jiaying Guanglian as to 0.78%, Ningbo Anhe as to 1.27%, Ningbo Qingzheng as to 1.27%, Changxing Shengju as to 0.91%, Shenzhen Tencent as to 0.91%, Shunya International as to 0.74% and Chiyu Investment as to 1.09%.

MOFCOM published the Draft Foreign Investment Law in January 2015, which stipulates restriction of foreign investment in certain industry sectors on the “catalog of special administrative measures”, but did not specify the businesses to be included therein. The Draft Foreign Investment Law also provides that entities established in the PRC but “controlled” by foreign investors will be treated as foreign invested entities, whereas an entity organized in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as “controlled” by PRC entities and/or citizens, would be treated as a domestic entity for investment purposes. As of the Latest Practicable Date, the Draft Foreign Investment Law was a draft only and there is no certainty whether, or timeline when, the Draft Foreign Investment Law will be promulgated and come into effect, and if so, whether



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## SUMMARY

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it is to be promulgated in the current draft form after it undergoes through further enactment process. Please refer to the sections headed “Risk Factors — Risks Related to our Contractual Arrangement” and “Contractual Arrangements — Development in China Legislation on Foreign Investment” for further details. Our Company will, after the Listing, timely announce (i) any updates or material changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when they occur and (ii) the event that the new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

### OUR CONTROLLING SHAREHOLDERS

Mr. Feng, Ms. Liao and Mr. Hou (being original founders of our Group) are and have been acting in concert when exercising their shareholders rights in our Company and Beijing Meelive since our inception. Each of Mr. Feng, Ms. Liao and Mr. Hou, through their respective wholly-owned company, namely Fantastic Live Holdings Limited, Luckystar Live Holdings Limited and Horizon Live Holdings Limited, are collectively entitled to exercise voting rights of approximately 30.32% of the total issued share capital of our Company as of the date of this prospectus. In addition, Ms. Liao, through Luckystar Live Holdings Limited, also owns approximately 89.99% equity interest in and controls Generous live LIMITED, whilst Mr. Hou, through Horizon Live Holdings Limited, owns approximately 97.99% equity interest in and controls Evergreen live LIMITED. Each of Generous live LIMITED and Evergreen live LIMITED holds approximately 5.06% of the total issued share capital of our Company as at the date of this prospectus. Accordingly, taking into account Ms. Liao and Mr. Hou’s indirect controlling interest in Generous live LIMITED and Evergreen live LIMITED, the Founders shall collectively be able to control approximately 40.46% of the total issued share capital of our Company as at the date of this prospectus and approximately 34.38% of the total issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme). Mr. Feng, Ms. Liao and Mr. Hou also collectively hold approximately 30.32% equity interest in Beijing Meelive. Accordingly, they are our Controlling Shareholders and will continue to remain the largest and dominating group of shareholders of our Company and Beijing Meelive upon Listing.

### OUR INVESTORS

We raised three major rounds of equity financing, in the form of Angel Series, Series A and Series B Investments, including (i) RMB10.0 million raised from Duomi Online, (ii) an aggregate of approximately RMB101.5 million raised from our Series A Investors, namely GSR Zhaohua, Zihui Tianma, Zihui Juxin, Xiamen Saifu, Kunlun and Shunya International, and (iii) an aggregate of approximately RMB310.0 million raised from our Series B Investors, namely Jaixing Guanglian, Jaixing Guangmei, Ningbo Anhe, Ningbo Qingzheng, Mango Wenchuang, Shenzhen Tencent and Zihui Juxin. For details of their investments, see “History, Reorganization and Corporate Structure — Financial Investments”.

### LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees in the Global Offering are paid in full) incurred or to be incurred in relation to the Global Offering are approximately RMB98.9 million, of which RMB44.3 million will be charged as other expenses to our consolidated statement of profit or loss and RMB54.6 million will be charged against equity. Our Directors do not expect such expenses to have a material and adverse impact on our financial results in 2018.

## SUMMARY

### GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumption that the Over-Allotment Option is not exercised.

Offer Size:	Initially 302,340,000 Shares, representing 15% of the enlarged issued share capital of the Company
Offering Structure:	30,234,000 Shares, representing approximately 10% for the Hong Kong Public Offering (subject to adjustment) and 272,106,000 Shares approximately, representing approximately 90% for the International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option:	Up to an aggregate of 45,351,000 Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering
Offer Price Per Share:	HK\$3.85 to HK\$5.00 per Offer Share

	<b>Based on minimum indicative Offer Price of HK\$3.47 per Offer Share, after Downward Offer Price Adjustment of 10%</b>	<b>Based on minimum indicative Offer Price of HK\$3.85 per Offer Share</b>	<b>Based on maximum indicative Offer Price of HK\$5.00 per Offer Share</b>
Market capitalization of our Shares . . . . .	HK\$6,994,007,080	HK\$7,759,921,400	HK\$10,077,820,000
Unaudited pro forma adjusted net tangible asset per share . . . . .	HK\$1.51	HK\$1.56	HK\$1.73

- Notes:* (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 302,340,000 Shares expected to be issued under the Global Offering, and assuming that 2,015,564,000 Shares are issued and outstanding immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II “Unaudited Pro Forma Financial Information” and on the basis that 2,015,564,000 Shares are issued and outstanding immediately following the completion of the Global Offering and Capitalization Issue.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,217.2 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes.

<u>Amount of estimated net proceeds</u>	<u>Intended net use of proceeds</u>
• Approximately 20%, or HK\$243.4 million	Further diversify our business and the contents offered on our platform
• Approximately 30%, or HK\$365.2 million	Implement our marketing initiatives to expand our user base and promote our brand
• Approximately 20%, or HK\$243.4 million	Further develop our technology, research and development capabilities, especially big data and AI technologies
• Approximately 20%, or HK\$243.4 million	Seek strategic investment and acquisition opportunities
• Approximately 10%, or HK\$121.7 million	General replenishment of our working capital

Please see the section headed “Future Plans and Use of Proceeds” in this prospectus, for further information relating to our future plans and use of proceeds from the Global Offering, including the adjustment on the allocation of the proceeds in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range.

### DIVIDEND

We did not declare or distribute any dividend to our Shareholders during the Track Record Period. We do not have any dividend policy and have no present plan to pay any dividends to our Shareholders in the

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## SUMMARY

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foreseeable future. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. As advised by our legal advisor on Cayman Islands law, Maples and Calder (Hong Kong) LLP, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability. In addition, under applicable laws in the Cayman Islands, dividends may be paid only out of profits and share premium, and a dividend can be paid provided that there is a profit on the current financial year under review, without the requirement for making good losses from a prior financial year. Our Board may recommend a distribution of dividend in the future after taking into account our results of operations, cash flows, financial conditions, Shareholders' interests, general business conditions and strategies, capital requirements, and other factors that our Board may deem relevant.

### SUMMARY OF MATERIAL RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized as (i) risks related to our business, (ii) risks related to our contractual arrangements; (iii) risks related to our industry, (iv) risks related to doing business in China and (v) risks relating to the Global Offering. We believe the most significant risks and uncertainties we face include: (i) we have a limited operating history in a new and dynamic industry, which makes it difficult to evaluate our business and future prospects; (ii) if we fail to acquire new users and retain our existing users in cost efficient manners, our business and results of operation may be materially and adversely affected; (iii) User misconduct and misuse of our platform may adversely impact our brand image, and we may be held liable for information or content displayed on, retrieved from or linked to our platform; (iv) negative publicity involving us, our users, contents on our platform, our management, our social networking platform or our business model may materially and adversely affect our reputation, business and growth prospects; (v) the markets in which we operate are highly competitive, and we face competition in several major aspects of our business; (vi) our business is based on a relatively new business model that may not be successful; (vii) our business may suffer if we fail to successfully optimize our monetization strategies; (viii) regulation and censorship of information disseminated over the internet in China may adversely affect our business and subject us to liability for information displayed on or linked to our website; and (ix) intensified government regulation of the live streaming industry and internet industry in China could restrict our ability to maintain or increase our user base or the user traffic to our platform.

### LEGAL PROCEEDINGS

We were named as a defendant in a civil suit filed on May 15, 2017 in Beijing. The plaintiff alleged that we violated the commercial agreements we entered into with it, and sought for damages in an aggregate amount of RMB8.8 million. We made a provision in our financial statements in an amount of RMB8.8 million in relation to this litigation. Considering the maximum amount of loss we may suffer in relation to this litigation, and the fact that we have already made a provision in our financial statements, we do not believe it will have a material and adverse effect on our business, financial conditions or results of operation.

Other than the above-mentioned litigation, as of the Latest Practicable Date, we are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operation. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

### MATERIAL NON-COMPLIANCES

During the Track Record Period, we had certain non-compliance incidents, including commencing operations prior to obtaining the Online Culture Operating License and ICP License, and failure to make full contribution to social insurance and housing provident funds for all our employees in a timely manner. Please see the section headed "Business — Licenses, Regulatory Approvals and Compliance Record" for details of the non-compliance incidents.

### RECENT DEVELOPMENTS

Set forth below are certain material developments of our business and results of operations after December 31, 2017, which is the end of the Track Record Period:

- Our average MAUs and average MPUs further increased in the first quarter of 2018, as compared with the fourth quarter of 2017. Partially affected by the reduced user activities during the Chinese New Year holidays, our gross billings and average monthly AGBPPU decreased in the first quarter of 2018 as compared with the fourth quarter of 2017. Our average MAUs and average MPUs remained largely

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## SUMMARY

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stable with slight increases in April and May 2018 as compared with the first quarter of 2018. Our monthly average gross billings in April and May 2018 remained largely stable with a slight decrease as compared with the first quarter of 2018. As a result of the cumulative effect of the slightly increased MPUs and the slightly decreased gross billings, our monthly average AGBPPU in April and May 2018 slightly decreased as compared with the first quarter of 2018. See “— Selected Operating Data” for more information about our average MAUs, average MPUs, average monthly AGBPPU and gross billings during the Track Record Period and the first quarter of 2018.

- In the first quarter of 2018, we incurred significant sales and marketing expenses in relation to our efforts to promote our new business and product offerings. Our monthly average sales and marketing expenses in April and May 2018 decreased as compared with the first quarter of 2018, as we completed a major marketing campaign in the first quarter of 2018.

After due and careful consideration, our Directors confirm that there had not been any material adverse change in our financial, operational or trading position since December 31, 2017 and up to the date of this prospectus, and there is no event since December 31, 2017 that would materially affect the information as set out in the Accountant’s Report.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.*

“Angel Investor” or “Duomi Online”	Beijing Duomi Online Technology Co., Ltd. (北京多米在線科技股份有限公司) (formerly known as Beijing Caiyun Zaixian Technology Development Co., Ltd. (北京彩雲在線技術開發有限公司) a company listed on the National Equities Exchange and Quotations (stock code: 839256)), a company established in the PRC on May 11, 2010 and our angel investor, further details of which are set out in the section headed “History, Reorganization and Corporate Structure”
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the Articles of Association of our Company (as amended from time to time), adopted on June 23, 2018 and will come into effect upon Listing, a summary of which is set out in Appendix III
“Beijing Inke”	Beijing Inke Entertainment Technology Co., Ltd. (北京映客互娛科技股份有限公司), a company established in the PRC on July 5, 2016, and a direct wholly-owned subsidiary of Beijing Meelive
“Beijing Meelive”	Beijing Meelive Network Technology Co., Ltd. (北京蜜萊塢網絡科技有限公司), the operating company of the Group established in the PRC on March 31, 2015, and is controlled by our Group through the Contractual Arrangements
“Beijing Yingtianxia”	Beijing Yingtianxia Network Technology Co., Ltd. (北京映天下網絡科技有限公司), a company established in the PRC on December 27, 2016, and a joint venture company of Beijing Meelive in which it owns as to 62.11% equity interest
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAC”	Cyberspace Administration of China

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## DEFINITIONS

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“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 1,711,510,776 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Statutory and General Information – A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 23, 2018” in Appendix IV
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changxing Shengju”	Changxing Shengju Equity Investment Partnership (Limited Partnership) (長興盛鉅股權投資合夥企業 (有限合夥)), a limited partnership established in the PRC on December 15, 2016, one of our Investors, which acquired its equity interest held in Beijing Meelive from Mango Wenchuang, one of our initial Series B Investors, in February 2018
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Chiyu Investment”	Chiyu Investment (Beijing) Company Limited (馳譽投資 (北京) 有限公司), a company established in the PRC with limited liability November 29, 2011, one of our Shareholders, which acquired its equity interest held in Beijing Meelive from Jiaying Guanglian, one of our initial Series B Investors, in February 2018

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## DEFINITIONS

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“CIETAC”	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “we” or “us”	Inke Limited (映客互娛有限公司), a company incorporated in the Cayman Islands with limited liability on November 24, 2017, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries (which include our PRC operating entity, Beijing Meelive, and its subsidiaries)
“Contractual Arrangements”	the exclusive consulting and service agreement, the exclusive call option agreement, the equity pledge agreement and the powers of attorney as more particularly described in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholders”	Mr. Feng, Fantastic Live Holdings Limited, Ms. Liao, Luckystar Live Holdings Limited, Generous live LIMITED, Mr. Hou, Horizon Live Holdings Limited and Evergreen live LIMITED
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
“Employees Shareholding Platforms”	Inke Changqing, Inke Huanzhong and Inke Yuanda, each being a Shareholder of Beijing Meelive and a shareholding platform through which certain key management members and employees of Beijing Meelive hold the registered capital of Beijing Meelive
“Founders”	Mr. Feng, Ms. Liao and Mr. Hou
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant



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## DEFINITIONS

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“GAPP”	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) (or the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (中華人民共和國國家新聞出版廣電總局) after 2013, or the State Administration of Radio and Television of the People’s Republic of China (中華人民共和國國家廣播電視總局) after the 2018 State Council Institutional Reform)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries (which include our PRC operating entity, Beijing Meelive, and its subsidiaries, the financial results of which have been consolidated and accounted for as our subsidiaries by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (which include Beijing Meelive and its subsidiaries), the business operated by such subsidiaries or their predecessors (as the case may be)
“GSR Zhaohua”	Suzhou GSR Zhaohua Ventures Investment Partnership (Limited Partnership) (蘇州金沙江朝華創業投資合夥企業 (有限合夥)), a limited partnership established in the PRC on September 23, 2015, one of our Investors
“Haomei Information”	Haomei Information Technology (Beijing) Company Limited (好美信息技術 (北京) 有限公司), a company established in the PRC on December 26, 2016, and a direct non wholly-owned subsidiary of Beijing Meelive in which Beijing Meelive holds 80% equity interest
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 30,234,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation

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## DEFINITIONS

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“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 27, 2018, relating to the Hong Kong Public Offering and entered into among our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters
“Huai’an Inke”	Huai’an Inke Entertainment Network Information Co., Ltd. (淮安映客互娛網絡信息有限公司), a company established in the PRC on June 15, 2017, and a direct wholly-owned subsidiary of Beijing Meelive
“Hunan Anyue”	Hunan Anyue Network Information Co., Ltd. (湖南安悅網絡信息有限公司), a company established in the PRC on September 20, 2016, and an indirect wholly-owned subsidiary of Beijing Meelive
“Hunan Enjoy”	Hunan Enjoy Network Information Co., Ltd. (湖南快享網絡信息有限公司), a company established in the PRC on April 18, 2017, and a direct wholly-owned subsidiary of Beijing Meelive
“Hunan Inke”	Hunan Inke Network Information Co., Ltd. (湖南映客互娛網絡信息有限公司), a company established in the PRC on May 30, 2016 and a direct wholly-owned subsidiary of Beijing Meelive
“Hunan Tiantianxiangshang”	Hunan Tiantianxiangshang Network Technology Co., Ltd. (湖南天天向上網絡技術有限公司), a company established in the PRC on May 19, 2009, and an indirect wholly-owned subsidiary of Beijing Meelive
“Hunan Xiangsheng”	Hunan Xiangsheng Network Information Co., Ltd. (湖南湘生網絡信息有限公司), a company established in the PRC on September 20, 2016, and an indirect wholly-owned subsidiary of Beijing Meelive
“ICP License”	a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information services

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## DEFINITIONS

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“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
“Inke BVI”	Inke Holdings Limited, a company incorporated in the BVI on November 30, 2017 and a direct wholly-owned subsidiary of our Company
“Inke Changqing”	Ningbo Meishan Bonded Port Inke Changqing Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區映客常青投資管理合夥企業 (有限合夥)), a limited partnership established in the PRC on May 23, 2016 and one of the Employees Shareholding Platforms
“Inke HK”	Inke Technology Limited, a company incorporated in Hong Kong on December 19, 2017 and an indirect wholly-owned subsidiary of our Company
“Inke Huanzhong”	Ningbo Meishan Bonded Port Inke Huanzhong Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區映客歡眾投資管理合夥企業 (有限合夥)), a limited partnership established in the PRC on June 13, 2016 and one of the Employees Shareholding Platforms
“Inke PRC”	Beijing Cheese Network Technology Company Limited (北京映客芝士網絡科技有限公司), a company established in the PRC on February 14, 2018 and an indirect wholly-owned subsidiary of our Company
“Inke Yuanda”	Ningbo Meishan Bonded Port Inke Yuanda Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區映客遠達投資管理合夥企業 (有限合夥)), a limited partnership established in the PRC on June 15, 2016 and one of the Employees Shareholding Platforms

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## DEFINITIONS

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“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Offer Shares”	the 272,106,000 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation
“International Underwriters”	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and our Company on or about Thursday, July 5, 2018
“Investors”	the Angel Investor, Series A Investors, Series B Investors, Changxing Shengju and Chiyu Investment
“Jiaxing Guanglian”	Jiaxing Guanglian Investment Management Partnership (Limited Partnership) (嘉興光聯投資管理合夥企業 (有限合夥)), a limited partnership established in the PRC on June 20, 2016, one of our Investors, and with part of its equity interest held in Beijing Meelive being transferred to a new investor, Chiyu Investment, in February 2018
“Jiaxing Guangmei”	Jiaxing Guangmei Investment Management Partnership (Limited Partnership) (嘉興光美投資合夥企業 (有限合夥)), a limited partnership established in the PRC on July 1, 2015, one of our Investors
“Jiaxing Guangxin”	Jiaxing Guangxin No. 9 Investment Partnership (Limited Partnership) (嘉興光信九號投資合夥企業 (有限合夥)), a limited partnership established in the PRC on March 4, 2016, one of our Investors
“Joint Bookrunners”	China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public

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## DEFINITIONS

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	Offering), Citigroup Global Markets Limited (in relation to the International Offering), Haitong International Securities Company Limited, BOCI Asia Limited and The Hongkong and Shanghai Banking Corporation Limited
“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch and Citigroup Global Markets Asia Limited
“Joint Lead Managers”	China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), Haitong International Securities Company Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Futu Securities International (Hong Kong) Limited
“Joint Sponsors”	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and Deutsche Securities Asia Limited (in alphabetical order)
“Kunlun”	Beijing Kunlun Tech Co. Ltd. (北京昆侖萬維科技股份有限公司), a company established in the PRC on March 27, 2008 with its shares listed on the Shenzhen Stock Exchange (stock code: 300418), one of our initial Series A Investors but with its entire equity interest held in Beijing Meelive being transferred to Xizang Kunnuo in July 2016 due to its internal restructuring of Kunlun
“Latest Practicable Date”	June 19, 2018 being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, July 12, 2018 on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Mango Wenchuang”	Mango Wenchuang (Shanghai) Holding Investment Fund Partnership (Limited Partnership) (芒果文創(上海)股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 11, 2015, one of our initial Series B Investors but with its entire equity interest held in Beijing Meelive being transferred to a new investor, Changxing Shengju, in February 2018
“Memorandum of Association” or “Memorandum”	the Memorandum of Association of our Company (as amended from time to time) adopted on June 23, 2018 and will come into effect upon Listing, a summary of which is set out in Appendix III
“MIIT”	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部)
“MOC”	Ministry of Culture of the People’s Republic of China (中華人民共和國文化部) or the Ministry of Culture and Tourism of the People’s Republic of China (中華人民共和國文化和旅遊部) after the 2018 State Council Institutional Reform
“MOFCOM”	Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“Mr. Feng”	Mr. FENG Yousheng (奉佑生), Chairman, Chief Executive Officer, an executive Director and one of our Founders and Controlling Shareholders
“Mr. Hou”	Mr. HOU Guangling (侯廣凌), Chief Technology Officer, an executive Director and one of our Founders and Controlling Shareholders
“Ms. Liao”	Ms. LIAO Jieming (廖潔鳴), Chief Operating Officer, an executive Director and one of our Founders and Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“Ningbo Anhe”	Ningbo Anhe Ruichi Investment Partnership (Limited Partnership) (寧波安合瑞馳投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 26, 2016, one of our Investors

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## DEFINITIONS

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“Ningbo Inke”	Ningbo Meishan Bonded Port Yingji Investment Management Co., Ltd. (寧波梅山保稅港區映記投資管理有限公司), a company established in the PRC on May 31, 2016 and a direct wholly-owned subsidiary of Beijing Meelive
“Ningbo Qingzheng”	Ningbo Qingzheng Investment Management Partnership (Limited Partnership) (寧波青正投資管理合夥企業 (有限合夥)), a limited partnership established in the PRC on April 15, 2016, one of our Investors
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), subject to any Downward Offer Price Adjustment
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 45,351,000 Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	King & Wood Mallesons
“PRC Operating Entities”	Beijing Meelive and its subsidiaries
“PRC Supreme Court”	the Supreme People’s Court of the PRC
“Price Determination Date”	the date, expected to be on or about Wednesday, July 4, 2018, on which the Offer Price will be determined and, in any event, not later than Monday, July 9, 2018



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## DEFINITIONS

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“Registered Shareholders”	the Founders, the Employees Shareholding Platforms and the Investors, each being a registered shareholder of Beijing Meelive
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in “History, Reorganization and Corporate Structure”
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme
“RSU Scheme”	the restricted share unit scheme of the Company conditionally approved and adopted by our Board on June 23, 2018, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme” in Appendix IV to this prospectus
“SAFE”	State Administration of Foreign Exchange People’s Republic of China (中華人民共和國國家外匯管理局)
“SAFE Circular 37”	the “Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles” (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE with effect from July 4, 2014
“SAIC”	State Administration of Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局) or the State Market Supervision Administration of the People’s Republic of China (中華人民共和國國家市場監督管理總局) after the 2018 State Council Institutional Reform
“SAPPRFT”	State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (中華人民共和國國家新聞出版廣電總局) or the State Administration of Radio and Television of the People’s Republic of China (中華人民共和國國家廣播電視總局) after the 2018 State Council Institutional Reform

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“SARFT”	State Administration of Radio, Film and Television of the People’s Republic of China (中華人民共和國國家廣播電影電視總局) (or the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (中華人民共和國國家新聞出版廣電總局) after 2013, or the State Administration of Radio and Television of the People’s Republic of China (中華人民共和國國家廣播電視總局) after the 2018 State Council Institutional Reform)
“Series A Investors”	GSR Zhaohua, Zihui Tianma (with its entire equity interest held in Beijing Meelive being transferred to Zihui Juxin in July 2016 due to the internal restructuring of Zihui Tianma), Zihui Juxin, Xiamen Saifu (with its entire equity interest held in Beijing Meelive being transferred to Xiamen Shengyuan in August 2016 due to the internal restructuring of Xiamen Saifu), Kunlun (with its entire equity interest held in Beijing Meelive being transferred to Xizang Kunnuo in July 2016 due to the internal restructuring of Kunlun) and Shunya International, further details of which are set out in the section headed “History, Reorganization and Corporate Structure”
“Series B Investors”	Jiaying Guangxin, Jiaying Guanglian, Jiaying Guangmei, Ningbo Anhe, Ningbo Qingzheng, Mango Wenchuang and Shenzhen Tencent, further details of which are set out in the section headed “History, Reorganization and Corporate Structure”
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Meelive”	Shanghai Meelive Network Technology Co., Ltd (上海蜜萊塢網絡科技有限公司), a company established in the PRC on June 7, 2016, and a direct wholly-owned subsidiary of Beijing Meelive
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on June 23, 2018, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Share Option Scheme” in Appendix IV to this prospectus
“Shares”	ordinary shares in the capital of our Company with nominal value of US\$0.001 each

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“Shenzhen Tencent”	Shenzhen Tencent Entrepreneurship Base Development Co., Ltd. (深圳市騰訊創業基地發展有限公司), a company incorporated in the PRC on January 29, 2015, one of our Investors
“Shunya International”	Beijing Shunya International Investment Co., Ltd. (北京宣亞國際投資有限公司), a company incorporated in the PRC on February 13, 2007), one of our Investors
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the period from March 31, 2015 (date of incorporation of Beijing Meelive and principal operating entity of our business for Listing) to December 31, 2015, and years ended December 31, 2016 and 2017
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time
“VIE”	variable interest entity, which in our Group refers to Beijing Meelive
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Withdrawal Mechanism”	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (such as the Offer Price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change

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## DEFINITIONS

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“Xiamen Saifu”	Xiamen Saifu Holding Investment Partnership (Limited Partnership) (廈門賽富股權投資合夥企業 (有限合夥)), a limited partnership established in the PRC on August 20, 2012, one of our initial Series A Investors but with its entire equity interest held in Beijing Meelive being transferred to Xiamen Shengyuan in August 2016 due to its internal restructuring of Xiamen Saifu
“Xiamen Shengyuan”	Xiamen Shengyuan Holding Investment Partnership (Limited Partnership) (廈門盛元股權投資合夥企業 (有限合夥)), a limited partnership established in the PRC on August 26, 2016, one of our Investors
“Xizang Kunnuo”	Xizang Kunnuo Yingzhan Entrepreneurship Investment Co., Ltd. (西藏昆諾贏展創業投資有限責任公司), a company incorporated in the PRC on June 28, 2016, one of our Investors
“Zihui Juxin”	Suzhou Zihui Juxin Investment Center (Limited Partnership) (蘇州紫輝聚鑫投資中心 (有限合夥)), a limited partnership established in the PRC on June 26, 2015, one of our Investors
“Zihui Tianma”	Suzhou Zihui Tianma Entrepreneurship Investment Partnership (Limited Partnership) (蘇州紫輝天馬創業投資企業 (有限合夥)), a limited partnership established in the PRC on December 4, 2014, one of our initial Series A Investors but with its entire equity interest held in Beijing Meelive being transferred to Zihui Juxin in July 2016 due to its internal restructuring of Zihui Tianma

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

*The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.*

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## GLOSSARY

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*This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meanings or usages of these terms.*

“active streamer”	a streamer who has streamed on our platform for at least once during a given period
“active user”	a user account that has accessed our platform at least once during a given period
“AGBPPU”	average gross billings per paying user, calculated as gross billings in a given period divided by the number of paying users in such period
“AI”	artificial intelligence
“CAGR”	compound annual growth rate
“gross billings”	total Renminbi amount paid by paying users during a given period to purchase virtual currency on our platform
“monthly active streamers” or “MASs”	the number of active streamers during a given month
“monthly active users” or “MAUs”	the number of active users during a given month
“monthly paying users” or “MPUs”	the number of paying users during a given month
“next month user retention rate”	as applied to any cohort of users who used our Inke App in a given month, is the percentage of these users who use the Inke App at least once in the next month
“pan-entertainment industry”	extended from the traditional entertainment industry, the pan-entertainment industry is an integrated industry, the foundation of which is diversified entertainment content that bring relaxation and joy to the customers and enrich their lives
“paying ratio”/“paying user ratio”	the number of paying users in a given period divided by the number of active users in such period
“paying user”	a user account that has purchased our virtual currency at least once during a given period
“PC”	personal computers
“registered users” / “users”	the accumulated number of user accounts on our platform. An individual may register more than one account and these accounts will count as more than one registered users

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## GLOSSARY

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“streamer”	a user who performs, displays his or her talents, shares his or her lifestyle or otherwise generates content on our platform through live streaming
“tier-1 cities”	Beijing, Shanghai, Guangzhou and Shenzhen
“tier-2 cities”	Chengdu, Hangzhou, Wuhan, Chongqing, Nanjing, Tianjin, Suzhou, Xi’an, Shenyang, Qingdao, Changsha, Zhengzhou, Dalian, Dongguan, Ningbo, Xiamen, Fuzhou, Wuxi, Hefei, Kunming, Harbin, Ji’nan, Foshan, Wenzhou, Shijiazhuang, Changchun, Nanning, Changzhou, Quanzhou, Nanchang, Guiyang, Taiyuan, Yantai, Jiaxing, Nantong, Jinhua, Zhuhai, Huizhou, Xuzhou, Haikou, Urumqi, Shaoxing, Zhongshan, Taizhou and Lanzhou
“viewer”	a user who watches live streaming, video clips or other contents on our platform
“virtual items”	non-physical items available for purchase on our platform, which our users can send to other users as a gesture of friendship, support or admiration
“virtual services”	value-added services available for purchase on our platform to enhance users’ interaction experience such as Guardian Knights (守護) and Bullet Chats (彈幕). Such services are non-transferable to other users

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions,



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## **FORWARD-LOOKING STATEMENTS**

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the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

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## RISK FACTORS

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*Investing in our Shares involves risks. Before deciding to invest in the Shares, you should carefully consider all of the information in this prospectus, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially adversely affect our business, financial condition and results of operations, in which case the trading price of our Shares could also decline, and you could lose part or all of your investment. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that may differ significantly from that of other countries.*

There are certain risks and uncertainties involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business; (ii) risks related to our Contractual Arrangements; (iii) risks related to our industry; (iv) risks related to doing business in China; and (v) risks related to the Global Offering. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospect in light of the challenges we face, including the ones discussed in this section.

### RISKS RELATED TO OUR BUSINESS

**User misconduct and misuse of our platform may adversely impact our brand image, and we may be held liable for information or content displayed on, retrieved from or linked to our platform.**

Our live streaming platform enables users to perform, exchange information, interact with others and engage in various other online activities in real time. Because we do not have full control over our user population and user behaviors, our platform may be misused by individuals or groups of individuals to engage in immoral, inappropriate, disrespectful, fraudulent or illegal activities. Media reports and internet forums have covered some of these incidents, which has in some cases generated negative publicity about our brand and platform. The technologies and measures we use to detect and block inappropriate content and activities cannot fully prevent inappropriate content from being posted or inappropriate activities from being carried out. Moreover, as we have limited control over the offline and real life behavior of our users, to the extent such behavior is associated with our platform, our ability to protect our brand image and reputation may be limited. Our business and the public perception of our brand may be materially and adversely affected by misuse of our platform. In addition, if any of our users suffers or alleges to have suffered physical, financial or emotional harm following contact initiated on our platform, we may face civil lawsuits or other liabilities initiated by the affected user, or governmental or regulatory actions against us. In response to allegations of illegal or inappropriate activities conducted through our platform or any negative media coverage about us, PRC government authorities may intervene and hold us liable and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue some of the features and services provided on our mobile application. Historically, Beijing Meelive was fined twice by the competent government authorities, in an aggregate amount of RMB50,000, in connection with inappropriate content displayed on the Inke App by third parties. From time to time, we also receive user reports or user complaints about inappropriate activities by other users. We cannot assure you that we can promptly detect all illegal or inappropriate content displayed on our platform, and that we

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## RISK FACTORS

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will be not be subject to similar penalties in the future. If we were held liable for similar incidents again in the future, our business may suffer and our user base, revenues and profitability may be materially and adversely affected, and the price of our Shares may decline.

Additionally, although we report serious violations of our terms of service by our users to PRC local authorities, such authorities may not take action with respect to these violations on a timely basis, if at all. It is possible that our users may engage in obscene, incendiary or other conversations or activities on our platform that may be deemed illegal under PRC laws and regulations. We may be subject to fines or other disciplinary actions, including suspension or revocation of the licenses necessary to operate our platform, if we are deemed to have facilitated the appearance of inappropriate content placed by third parties on our platform. Additionally, we may face claims for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other claims based on the nature and content of the information delivered on or otherwise accessed through our platform. Defending such actions could be costly and involve significant time and attention of our management and other resources, which would materially and adversely affect our business and operations.

**Intensified government regulation of the live streaming industry and internet industry in China could restrict our ability to maintain or increase our user base or the user traffic to our platform.**

The PRC government has, in recent years, intensified regulation on various aspects of the live streaming industry and internet industry in China. State Council, the MIIT, the MOC, the Cyberspace Administration of China (“CAC”) and SAPPRFT, have the authority to issue and implement regulations governing various aspects of our business. For example, our PRC Operating Entities are required to obtain and maintain applicable licenses or approvals from different regulatory authorities in order to provide their current services. For example, under the State Council promulgated the Telecommunications Regulations of PRC (《中華人民共和國電信條例》), an internet information service provider shall obtain the ICP License from MIIT or its provincial counterparts before engaging in any commercial internet information services. Under the Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》), an online cultural business operator must obtain an Online Culture Operating License from a provincial counterpart of the MOC. Under Regulations on the management of private network and directed broadcast audiovisual program services (《專網及定向傳播視聽節目服務管理規定》) an Permit for Spreading Audio-Visual Programs via Information Network shall obtain from SAPPRFT for its live streaming business. According to the Administrative Regulations on Online Live Streaming Services (《互聯網直播服務管理規定》) and the Notice on Strengthening the Online Live Streaming Services (《關於加強網絡視聽節目直播服務管理有關問題的通知》), when providing online internet news information services, both online live streaming service and online live streaming publishers must obtain the qualification for internet news information service in accordance with law and may only carry out the services within the permissible scope of their licenses. According to the Administration of Network Performance (《網絡表演經營活動管理辦法》), entities operating network performance shall be responsible for the service and content post on their website which are provided by performers. Failure to comply with these regulations, if detected by the relevant government agencies, may result in fines and other penalties for us, including confiscation of the net revenues that were generated through the unlicensed internet and live streaming business activities, the shutting down of our operations and license revocation. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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As we further develop and expand our video capabilities and functions, we may be required to obtain additional qualifications, permits, approvals or licenses. For specific services offered online, we or the service or content providers may also be subject to additional qualifications, permits, approvals or licenses requirements. As the streaming industry in China is still at an early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. In the interpretation and implementation of existing and future laws and regulations governing our business activities, considerable uncertainties still exist. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations.

More stringent governmental regulations and uncertainty in interpretation and implementation of the relevant laws and regulations such as the ones outlined above may discourage users from using our platform and have a material effect on our business operations.

**We have a limited operating history in a new and dynamic industry, which makes it difficult to evaluate our business and future prospects. If we fail to effectively manage our growth, implement our business strategies and control our costs and expenses, our business and operating results could be harmed.**

Our operations commenced in 2015 when we launched the Inke App, our live streaming platform. We experienced rapid growth during the Track Record Period, especially from 2015 to 2016, in terms of number of active and paying users and achieved strong financial performance. According to Frost & Sullivan, the mobile live streaming industry in China entered into a fragmentation stage in 2017, with many new players entered into the market and a number of platforms incurred hefty expenses in their marketing and promotional efforts to attract user traffic. Partially as a result of the intensified competition, we experienced declines in some of our key operating metrics in 2017, especially the first half of 2017. Specifically, the number of our average MASs decreased from 6.5 million in the fourth quarter of 2016 to 1.5 million in the fourth quarter of 2017, the number of our average MAUs decreased from 30.0 million in the fourth quarter of 2016 to 20.3 million in the second quarter of 2017, and the number of our average MPUs decreased from 2.6 million in the second quarter of 2016 to 0.6 million in the third quarter of 2017. Our average MAUs and MPUs started to increase again from the third and fourth quarter of 2017, respectively. However, our performance during the Track Record Period may not be indicative of our future performance, and we cannot assure you that the level of growth we experienced from 2015 to 2016 will be sustainable or achievable at all in the future or that the declines we experienced in 2017 will not occur again in the future. Our growth prospects should be considered in light of the risks and uncertainties that fast-growing companies with limited operating history in our industry may encounter, including, among others, risks and uncertainties regarding our ability to:

- retain existing users on, and attract new users to, our platform;
- develop and deploy diversified and distinguishable virtual items, functions, features and services that are appealing to our users;
- maintain stable relationships with our streamers and streamer agents;
- develop and implement successful monetization measures;

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## RISK FACTORS

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- maintain stable relationships with our business partners including payment channels, server and bandwidth suppliers, and other service providers;
- convince our advertisement business customers of the advantages of our marketing services compared to alternative forms of marketing;
- increase brand awareness through marketing and promotional activities;
- upgrade existing technology and infrastructure and develop new technologies to support increasing user traffic, improve user experience, expand functionality and ensure system stability;
- successfully compete with other companies that are currently in, or may in the future enter, our industry;
- attract, retain and motivate talented employees; and
- defend ourselves against litigation, regulatory, intellectual property, privacy or other claims.

All of these endeavors involve risks and will require significant capital expenditures and/or allocation of valuable management and employee resources. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies effectively. If the market for our platform does not develop as we expect or if we fail to address the needs of this dynamic market, our business and results of operations will be materially and adversely affected.

**If we fail to acquire new users and retain our existing users in cost efficient manners, our business and results of operation may be materially and adversely affected.**

In order to achieve sustainable revenue growth, we must attract new users, retain our existing users, and maximize the network effect on our platform. We would need to devote significant resources in marketing and promotion, research and development and customer service efforts, to ensure that our streamers are motivated to generate high quality content, our users can enjoy satisfactory interactions with each other, and our users are willing to pay for the virtual items, features and services we provide.

If we fail to keep up with our users' evolving needs and provide content, virtual items and functions that are engaging to our users on an ongoing basis, our platform may quickly lose its popularity among users and our business will suffer. Additionally, if we cannot retain our existing users and expand our user base, the network effect provided by the social nature of platform will diminish and the popularity of our communities and their profitability may be materially and adversely affected.

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## RISK FACTORS

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**Negative publicity involving us, our users, contents on our platform, our management, our social networking platform or our business model may materially and adversely affect our reputation, business and growth prospects.**

Negative publicity involving us, our users, contents on our platform, our management, our social networking platform or our business model may materially and adversely harm our brand and our business. We cannot assure you that we will be able to defuse negative publicity about us, our management and/or our services to the satisfaction of our investors, users, customers and business partners. During the Track Record Period, there have been negative reports regarding the nature of our business, the initiatives we take to enhance our user experience, and our user-generated content, including with respect to offensive or inappropriate content on our platform. See also “— User misconduct and misuse of our platform may adversely impact our brand image, and we may be held liable for information or content displayed on, retrieved from or linked to our platform.” The dissemination of these reports to the public has had an adverse effect and may continue to adversely affect our reputation, which could negatively impact our business, operations and growth prospects. We may have to incur significant expenses in order to remedy the effects of these negative reports, which may materially and adversely affect our results of operations.

**The markets in which we operate are highly competitive, and we face competition in several major aspects of our business. If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.**

Our primary competitors in the mobile live streaming market in China include Momo, YY Live, Huya and Douyu. Certain other players in the internet industry in China such as Kuaishou and Toutiao also established their live streaming businesses. In addition, we compete with other internet companies that provide audio and video services to internet users in China. We also compete for online advertising revenues with other internet companies that provide online advertising services in China. Additionally, we may face potential competition from global online social networking service providers that seek to enter the China market, whether independently or through the formation of strategic alliances with, or acquisition of, internet companies in China. If we are not able to effectively compete with our competitors, our overall user base and level of user engagement may decrease. We may be required to spend additional resources to further increase our brand recognition and promote our products and services, and such additional spending could adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users and advertisers. Our competitors may unilaterally decide to adopt a wide range of measures targeted at us. The measures we take in response to competition and disputes with our competitors may be expensive, time-consuming and disruptive to our operations and divert our management’s attention.

In addition, our users face a vast array of entertainment choices. Other forms of entertainment, including other internet-based activities such as social networking, online video or games, as well as offline games and activities such as television, movies and sports, are more well-established markets and may be perceived by our users to offer greater variety, affordability, interactivity and enjoyment. Our platform competes against these other forms of entertainment for the discretionary time and spending of our users. If we are unable to sustain

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## RISK FACTORS

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sufficient interest in our platform in comparison to other forms of entertainment, including new forms of entertainment that may emerge in the future, we may be replaced by such other forms of entertainment and our business and operations can be materially and adversely affected.

**Our business is based on a relatively new business model that may not be successful.**

Many of the elements of our business are innovative, evolving and relatively unproven. The market for mobile live streaming is relatively new and rapidly developing, and are subject to significant challenges. Our business relies heavily upon increased revenues from the sale of Inke Diamonds, and our ability to successfully monetize our user base. We may not succeed in any of these respects. Some of our current monetization methods are in a preliminary stage. If we fail to properly set the pricing for our virtual items, our users may be less willing to purchase virtual items from us. Furthermore, as the mobile live streaming industry in China is relatively young and untested, there are few proven methods of projecting user demand or available industry standards on which we can rely. We are also constantly seeking to develop new products and business models. However, our attempts to improve our existing products and services, and develop new products and business models may not be successful and therefore it is relatively difficult to evaluate the growth potential of our business.

**Our business is dependent on the strength of our brand and market perception of our brand. If we fail to maintain and enhance our brand, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.**

In China, we market our services mainly under the brand “Inke.” Our business and financial performance are highly dependent on the strength and the market perception of our brand and services. A well-recognized brand is critical to increasing our user base and, in turn, facilitating our efforts to monetize our services and enhancing our attractiveness to our users and customers. From time to time, we conduct marketing activities across various media to enhance our brand, to guide public perception of our brand and services and to promote our new products and businesses. In order to create and maintain brand awareness and brand loyalty, to influence public perception, to retain existing and attract new users and customers and to promote our new products and businesses, we may need to substantially increase our marketing expenditures. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the promotional effect we expect.

Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. We must continuously exercise strict quality control of our platform to ensure that our brand image is not tarnished by substandard products or services. We must also find ways to distinguish our platform from those of our competitors. Specifically, we plan to use approximately HK\$365.2 million of the net proceeds of the Global Offering to implement our marketing initiatives to promote our brand, to expand our user base and to promote our new products and businesses. If for any reason we are unable to maintain and enhance our brand recognition, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

**Our business may suffer if we fail to successfully optimize our monetization strategies.**

In order to sustain our revenue growth, we must effectively monetize our user base. We continuously conduct user data collection and analysis to better understand our users’ consumption patterns. This allows us to



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## RISK FACTORS

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develop virtual items, features and functions that are desirable to our users, as well as properly price them so that we can enhance our monetization abilities. Our users are willing to purchase Inke Diamonds to redeem for virtual items on our platform or gain status privileges because of the perceived value of these products and services. Spending on our platform is discretionary and our users may be sensitive to the price of our virtual items. It is crucial to balance between, on the one hand, creating sufficient monetization opportunities, which enhances the profitability of our platform and, on the other hand, allowing our platform to be enjoyable even if without such paid benefits, which helps to maintain a sizable user base and the associated network effect. We must also ensure that the prices of virtual items and privileges, and the prices we charge our advertisers are set at reasonable levels. If we fail to manage our pricing strategies properly, our users may be less likely to spend on our platform, and advertisers may be less willing to place advertisements using our platform, which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

**Measures we take to improve user experience might not be effective and long-lasting.**

We design multiple features and functionalities to enhance our user experience and improve user stickiness. For example, utilizing our big data analytics capabilities, we analyze the preferences of our users, and provide customized streamer recommendations to them. We designed engaging features such as *PK* to enhance the interactions among our streamers and viewers. Technologies such as Instant Watch (秒開), Tri-party Live Chat (三連麥) and Real-time Beautification (實時美顏) also greatly improved our user experience by allowing them to enjoy high quality video streaming with multiple parties without unpleasant lagging. We have also built in automatic audiences in streaming rooms to enhance the streamers' confidence. However, we cannot guarantee that the measures we take to improve user experience will always be successful or that the effect will be long-lasting. If we fail to keep up with our users' evolving needs or promote new features and functionalities in a timely manner, user experience of our platform may be affected, and our results of operations may be materially and adversely affected.

**Contractual disputes with our streamers and/or streamer agents may harm our reputation and subject us to contractual liabilities, and may be costly or time-consuming to resolve.**

We enter into contracts with certain streamers, the terms of which are generally negotiated on a case-by-case basis. The contractual terms between us and our streamers vary depending on factors such as the talents, popularity and revenue-generating potential of the streamers, as well as the minimum streaming hours they commit to our platform. Some of our contracted streamers enjoy fixed base compensation while others do not, and some of our contracted streamers are bound by exclusivity clauses while others are not. We also enter into contractual arrangements with certain streamer agents, who are responsible for recruiting and training streamers, and we share a certain percentage of the revenue generated by the streamers they manage with them. Although during the Track Record Period we have not had any contractual disputes with our streamers or streamers agents, we cannot assure you that there will not be such disputes in the future. Any such disputes may not only be costly and time-consuming to solve, but may also be detrimental to the quality of the content produced by our streamers, causing our streamers to leave our platform, decrease user engagement on our platform or otherwise adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**The industry in which we operate is characterized by constant changes. If we fail to continuously innovate our technologies and to design features that meet the expectations of our users, our ability to retain existing users and attract new users may be adversely affected.**

The live streaming industry, and the internet industry in general, are characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and services and constant emergence of new industry standards and practices. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner; failure to do so may cause our user base to shrink and user engagement level to decline, thereby materially and adversely affecting our results of operations.

Our technological capabilities and infrastructure underlying our platform are critical to our success. We need to anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in research and development to keep pace with technological advances in order to make our development capabilities and our platform competitive in the market. Specifically, we plan to use approximately HK\$243.4 million of the net proceeds of the Global Offering to further develop our technology, research and development capabilities, especially big data analytics and AI technologies. However, development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our development results. Our significant expenditures on research and development may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in video streaming could render our technologies, our platform or products or services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, which could result in a decline in our revenues and market share.

**We partially rely on third parties to conduct real name certification for our users, and we cannot guarantee the effectiveness of such process.**

To become a streamer on our platform, a user must complete the real name certification process. As of the Latest Practicable Date, we cooperate with Zhima Credit (芝麻信用) for real name certification. Historically, we also cooperated with Alipay for such process. After making the application to become a streamer, our user will be automatically redirected to the website of Zhima Credit to complete the real name certification process. We have limited access to the user's information if he or she completes the real name certification through Zhima Credit (or Alipay), and we cannot assure the effectiveness of the real name certification process through Zhima Credit (or Alipay). If there are large scale incidents of ineffective real name certification process, we may be subject to penalty by the competent regulatory authorities in a maximum amount of RMB20,000 for failure to fulfill the supervision obligations.

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

Certain operating metrics, such as the numbers of monthly active users of our platform, are calculated using internal company data that has not been independently verified. While these numbers are based on what we

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## RISK FACTORS

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believe to be accurate records and reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. We treat each account as a separate user for the purposes of calculating our active users, because it may not always be possible to identify people that have set up more than one account. Accordingly, the calculations of our active users may not accurately reflect the actual number of people using our platform.

Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in methodology. If our customers or business partners do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed, our customers may be less willing to allocate their resources to our platform and our business partners may be less willing to cooperate with us, which could negatively affect our business and operating results.

**The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business.**

Currently, we sell our Inke Diamonds to our users mainly through third party online payment channels such as WeChat Pay, Alipay and Apple. In such online payment transactions, secured transmission of confidential information such as customers' credit card numbers and personal information over public networks is essential to maintain consumer confidence.

We do not have control over the security measures of our third party online payment vendors, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, users concerned about the security of their online financial transactions may become reluctant to purchase our virtual items even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage customer confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing Inke Diamonds, which may have an adverse effect on our business.

If any of the payment platform we use decides to significantly increase the percentage they charge us for using their payment systems for our virtual items and other services, our results of operations may be materially and adversely affected.

**Non-compliance on the part of our business partners and other third parties involved in our business could adversely affect our business.**

Our business partners (such as streamer agents, server and bandwidth suppliers, and payment channels), as well as other third parties who entered into business relationship with our business partners, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or

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## RISK FACTORS

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indirectly, disrupt our business. We cannot be certain whether such third party has infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, and may in turn affect our results of operations.

**Major mobile application distribution channels may interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us.**

We rely on third-party mobile application distribution channels such as Apple's App Store and various Android application stores to distribute our mobile applications to users. We expect a substantial number of downloads of our mobile applications will continue to be derived from these distribution channels. As such, the promotion, distribution and operation of our applications are subject to such distribution platforms' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. Historically, our Inke App was temporarily removed from Apple's App Store in January 2016 for a period of approximately two months, because of alleged violations of Apple's terms and conditions, but no further reason or explanation of the removal was provided by Apple. While we did not have absolute clarity as to the reasons for such removal, we took the initiative to make certain modifications to our Inke App, including the removal of in-app links to third party payment channels. During the period of such removal, people were no longer able to download the Inke App from the App Store, but our existing users were able to continue to access the Inke App. Mobile application distribution channels such as Apple's App Store typically have strong bargaining power. Their terms and policies for application developers favor themselves in general, and they have broad discretion in interpreting their terms and policies, and in dealing with deemed non-compliances or violations by application developers. If Apple's App Store or any other major distribution channel interprets or changes their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.

**We had a net liabilities position during the Track Record Period, which may adversely affect our ability to declare and pay dividends.**

As of December 31, 2015, 2016 and 2017, we had net liabilities of RMB61.5 million, RMB1.3 billion and RMB1.6 billion, respectively, primarily because we had financial instruments with preferred rights that were designated as liabilities and stated at fair value on our combined balance sheet, and the increases in their fair value were recognized as fair value loss on our combined income statement. The fair value changes of financial assets measured at fair value through profit or loss and financial instruments with preferred rights may have significant impact on our financial performance, and it is difficult for us to accurately estimate such impact, because there are inherent uncertainties in accounting estimate as the valuations of these financial instruments require the use of significant unobservable inputs. Although we had fair value gain of financial assets at fair value through profit or loss of RMB6.2 million in 2016 and RMB54.5 million in 2017, respectively, we incurred significant fair value loss of financial instruments with preferred rights, which amounted to RMB50.9 million,

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RMB1.9 billion and RMB1.0 billion in 2015, 2016 and 2017, respectively, as the fair value of our shares with preferred rights increased significantly due to the growth of our business during the Track Record Period. As a result, even though we have been generating operating profit, we recorded accumulated loss during the Track Record Period. We will not incur any additional fair value loss of financial instruments with preferred rights after the Listing, but we may retain accumulated losses immediately after the Listing due to the fair value loss on financial instruments with preferred rights recorded prior to the Listing. Under the Cayman Companies Law, we may only declare dividends out of accumulated profits or our share premium account. Therefore, such accumulated losses may adversely affect our overall ability to declare and pay dividend after the Listing by reducing our sources for potential dividend declaration and payment.

**Unauthorized use of our intellectual properties by third parties may harm our brands and reputation, and the expenses incurred in protecting our intellectual property rights may materially adversely affect our business.**

We regard our copyrights, trademarks and other intellectual properties as critical to our success, and rely on a combination of trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. Although our contracts with our business partners prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

Implementation of intellectual property laws in China has historically been lacking, primarily because of ambiguities in the laws and difficulties in enforcement. Accordingly, intellectual property right protection in China may not be as effective as in other jurisdictions with a more developed legal framework regulating intellectual property rights. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as materially adversely affect our financial condition and results of operations.

**Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our users, divert online users away from our products and services or harm our reputation and brand image.**

Competitors and other third parties may register trademarks or purchase internet search engine keywords or domain names that are similar to ours, in order to divert potential users from our platform to theirs. Preventing such unfair competition activities is inherently difficult. If we are unable to prevent such activities, competitors and other third parties may drive potential users away from our platform, and our user experience would be negatively affected, which could harm our reputation and materially and adversely affect our results of operations.

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## RISK FACTORS

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**We may be subject to intellectual property infringement claims, which could be time-consuming and costly to defend and may result in diversion of our financial and management resources.**

The validity, enforceability and scope of protection of intellectual property rights in online industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

We have implemented internal control measures to ensure that our video streaming and other technology, the design of our platform and other intellectual property are original and do not infringe upon valid patents, copyrights or other intellectual property rights held by third parties. We also rely on intellectual properties owned by third parties for some functions available on our platform through licensing arrangements. We have not encountered any material legal claims relating to any intellectual property rights held by third parties during the Track Record Period and the subsequent period up to the Latest Practicable Date.

However, there is no guarantee that third-party right holders will not assert intellectual property infringement or other related claims against us in the future for our own intellectual property rights or intellectual property rights we sourced from third parties.

Defending intellectual property litigation is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our platform to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

Certain of our employees were previously employed at other companies, including our current and potential competitors. We also intend to hire additional personnel to expand our development team and technical support team. To the extent these employees are involved in the development of content or technology similar to ours at their former employers, we may become subject to claims that such employees or we may have appropriated proprietary information or intellectual properties of the former employers of our employees. If we fail to successfully defend such claims against us, our results of operations may be materially and adversely affected.

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

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

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## RISK FACTORS

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**Some of our streamers use and/or play music during live streaming, which may subject us to intellectual property infringement claims.**

We enter into music copyright agreements with Tencent Music, a major music platform in China, thus we can legally use the music in the library of Tencent Music on our application as background music. However, if our streamers play music using their own devices during live streaming, such use of music is not covered under the agreements we entered into with such platforms. Under relevant PRC laws and regulations, internet information service providers which provide storage space for users to upload works or links to contents provided by third parties could be held liable for copyright infringement under various circumstances, including in situations where an internet information service provider knows or should reasonably have known a copyright infringement through its platform but fails to take measures to remove or block or disconnects links to the relevant content, or, the internet information service provider fails to take such measures upon receipt of the copyrights holder's notice of infringement. To our knowledge, there is currently no regulation or precedent case which provides clear guidance as to whether and under what circumstance would a live streaming platform such as our platform would be held liable for the unauthorized posting or live performances of copyrighted contents by our streamers. Thus, we cannot assure you that such use of music by our streamers is legal, and this may potentially cause intellectual property related disputes and/or subject us to intellectual property infringement claims.

We have adopted internal measures to ensure prompt responses and actions to notices from copyright holders requesting removal of infringing content, if any. However, these procedures may not be effective in preventing unauthorized posting or use of copyrighted content on our platform or the infringement of other third party rights.

**Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our products and services.**

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if meritless, could damage our reputation and operating results. We apply strict management and protection for any information provided by users and, under our privacy policy, without our users' prior consent, we will not provide any of our users' personal information to any unrelated third party. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used or shared with advertisers or others may adversely affect our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower number of registered, active or paying users on our platform.



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**We could be liable for our users' privacy being compromised which may materially adversely affect our reputation and business.**

We receive, store and process personal information and other user data. We seek to provide a safe environment for our users by implementing sophisticated security mechanisms and robust content filters. Despite our efforts to employ security features to monitor users' interactions and safeguard user information, there is no guarantee that we can successfully keep our users free from acts that violate their privacy. Any failure or perceived failure by us to prevent our users' exposure to such infiltration, to successfully implement our privacy policies, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other private data, may result in governmental enforcement actions, litigation or negative publicity against us, which would hurt our reputation among our users and advertisers, which could materially adversely affect our business.

**Advertisements shown on our platform may subject us to penalties and other administrative actions.**

Under PRC laws and regulations, we are obligated to monitor the advertising content shown on our platforms to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, for certain specific types of advertisements such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, special government review is required before such advertisements can be posted, and we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations.

We cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the applicable laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

**Future strategic alliances or acquisitions may have a material and adverse effect on our business, reputation and results of operations.**

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions and to the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

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In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial or operating results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business.

Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from the government authorities in China for the acquisitions and comply with applicable PRC laws and regulations, which could result in increased costs and delays.

**Our business depends substantially on the continuing efforts of our management and other key personnel that supports our existing operations and future growth. If we lose their services, our operations and growth prospects may be severely disrupted.**

Our future success heavily depends upon the continuing services of our management and other key personnel. In particular, we rely on the expertise, experience and vision of our founder, chairman and chief executive officer, Mr. Feng, as well as other members of our senior management team. We also rely on the technical know-how and skills of other key personnel. If any of our senior management or key personnel becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted, our financial condition and results of operations may be materially adversely affected, and we may incur additional expenses to recruit, train and retain key personnel.

Moreover, if any of our management or key personnel joins a competitor or forms a competing company and launches products that compete against ours, we may lose know-how, trade secrets, key employees and business partners, user base and market share. Each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us. However, the non-competition provisions contained in these agreements may not be enforceable, especially in China, where most of these executive officers and key employees reside, on the ground that we have not provided adequate compensation to these executive officers for their noncompetition obligations, which is required under the relevant PRC regulations.

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

Our existing operations and future growth require a sizeable and competent workforce. For example, the effective operation of our information technology system, customer service, legal, financial and other back office functions depends in part on our professional employees. Our future success depends, to a significant extent, on

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

**If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our Shares may be materially and adversely affected.**

Prior to this Global Offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures.

During the course of documenting and testing our internal control procedures, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

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

We believe we maintain insurance policies covering risks in line with industry standards. We do not maintain property insurance or business interruption insurance. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. We also do not maintain business interruption insurance, key-man life insurance or litigation insurance. The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. As such, we may not be able ensure certain risks related to our assets or business even if we desire to. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network

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infrastructure or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially adversely affected.

**Spams and other malicious messages on our platform may affect our user experience, which could materially and adversely affect our business, financial condition and results of operations.**

Spammers may use our platform to send targeted and/or untargeted spam messages to other users, which may affect our user experience. As a result, our users may use our products and services less or stop using them altogether. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our platform in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition and results of operations.

**We use third party contents, services and technologies in connection with our business, and any disruption to the provision of these contents, services and technologies to us could result in adverse publicity and a slowdown in the growth of our users, which could materially and adversely affect our business and results of operations.**

Our business depends upon contents, services and technologies provided by, and relationships with, third parties. We do not have long-term cooperation agreements or exclusive arrangements with any of our business partners. If we fail to retain and enhance our business relationships with our business partners, or if our business partners chose to terminate or change the terms of our cooperation for strategic, financial or other reasons, we may lose our business partners and our business and results of operations may be materially and adversely affected.

In addition, some third party software we use in our operations are currently publicly available without charge. If the owner of any such software decides to charge users or no longer makes the software publicly available, we may need to incur significant cost to license the software, find replacement software or develop it on our own. If we are unable to find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

We exercise no control over the third parties with whom we have business arrangements. If such third parties increase their prices, fail to provide their contents or services effectively, terminate their services or discontinue their relationships with us, we could suffer content loss, service interruptions, reduced revenues or increased costs, any of which may have a material and adverse effect on our business, financial condition and results of operations.

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**Our core values of focusing on user experience and satisfaction first and focusing on the long-term growth of our business may conflict with the short-term operating results of our business and also negatively impact our relationships with advertisers or other third parties.**

One of our core values is to focus on user experience and satisfaction, which we believe is essential to our success and serves the best, long-term interests of our Company and our shareholders. Therefore, we have made, and may make in the future, significant investments or changes in strategy that we think will benefit our users, even if such decision may negatively impacts our operating results in the short-term. For example, in order to provide our users with optimal entertainment experiences, we do not currently place significant advertising on our platform. While this decision adversely affects our operating results in the short-term, we believe it enables us to provide higher quality user experience, which will help us expand and maintain our current large user base and create better monetizing potential in the long-term. This philosophy of putting our users first may negatively impact our relationships with advertisers or other third parties, and may not result in the long-term benefits that we expect, in which case the success of our business and operating results could be harmed.

**Our technology infrastructure may experience unexpected system failure, interruption, inadequacy or security breaches. Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.**

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Historically, we had experienced several incidents of serious network overload, which caused laggings for some of our users for a period of several hours each time, and negatively affected our user experience. Our growing operations will place increasing pressure on our server and network capacities as we further expand our user base and develop more features and functions. We may encounter problems when upgrading our systems or services and undetected programming errors, which could adversely affect the performance of our operating systems and user experience.

Our business depends on the performance and reliability of the internet infrastructure in China. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. We rely on this infrastructure to provide data communications primarily through local telecommunication lines and wireless telecommunication networks. In addition, the national networks in China are connected to the internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic user can connect to the internet and may not support the demand necessary for the continued growth in internet usage. Although the PRC government has plans to develop the national information infrastructure, we cannot assure you that a sophisticated internet infrastructure will be developed. In the event of disruptions, failures or other problems with China's internet infrastructure, we or our users may not have access to alternative networks on a timely basis, if at all.

In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, the intentional or inadvertent transmission of computer viruses and similar events or

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third-party actions could have a material and adverse effect on our business, financial condition and results of operations. Operations of our live streaming platform involve the storage and transmission of our users' account information in our facilities and on our equipment, networks and corporate systems, which may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise. It may be difficult for us to respond to security breaches in a timely manner or at all. Any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing users and attract new users. If an actual or perceived breach of our security occurs, user confidence in the effectiveness of our security measures could be harmed. As a result, we could lose users and suffer financial losses due to such events or in connection with the remediation efforts, investigation costs and system protection measures.

We may also suffer from targeted and untargeted cyberattacks. Historically, we have not experienced any cyberattack that had a material adverse impact on our business, financial condition or results of operations. However, we cannot assure you that we will be free from cyberattacks in the future.

Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our games or the access to our game operating systems, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our user satisfaction, which in turn, will adversely affect our reputation, user base and future operations and financial condition.

**Our leased property interests may be defective and our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business.**

As of the Latest Practicable Date, with respect to seven of our leased properties, the relevant lessors had not provided us with valid property ownership certificates. All such leased properties were used as offices. The absence of the property ownership certificates limited our ability to determine whether the lessors have the right to lease the properties to us, and if any of the lessors is not the legal owner and has not been duly authorized by the legal owner, the relevant lease agreements may be deemed invalid, and as a result, we may face challenges from the legal owners of the properties or other third parties, and may be forced to vacate the relevant properties and relocate our offices. We might incur additional expenses during the process, and our business, financial condition and results of operations may be negatively affected.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. The registration of such leases will require the cooperation of the lessors. We have been continuously following up and monitoring the registration status of the leases, and we have proactively requested the lessors of the relevant properties to complete or cooperate with us to complete the registration procedures in a timely manner. However, as of the Latest Practicable Date, we had not obtained any lease registration for the 14 properties we leased in China. As advised by our PRC Legal Advisor, the lack of registration will not affect the validity and enforceability of the lease agreements, but a fine ranging from RMB1,000 to RMB10,000 may be imposed on us for each non-registered lease.

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### **We may be subject to additional payments of statutory employee benefits.**

As required by PRC laws, we participate in mandatory employee social security schemes that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing provident funds. We are required under PRC laws to make contributions to employee social security plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. However, historically, because our officers in charge of the administration of our employee benefit scheme were preoccupied with the development and growth of the Company's business operations, which resulted in a lack of comprehensive understanding of the PRC laws and regulations, and inadvertence in monitoring our compliance status, we did not make full contributions to social insurance and housing provident funds for some of our employees, and our payment of social insurance and housing funds were not based on the full salary and bonuses received by our employees.

As advised by our PRC Legal Advisors, our failure in making full contribution to social insurance and housing provident funds may result in us being required to rectify the non-compliance by the relevant regulatory authorities. They may also impose a fine on us. We cannot assure you that we will not be subject to any penalty, or order to rectify non-compliance in the future, nor can we assure you that there will not be any employee complaints or claims against us regarding payment of the social insurance or housing provident funds. We may incur additional expenses to comply with such laws and regulations.

### **We are subject to anti-corruption, anti-bribery, anti-money laundering and other laws and regulations.**

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in China. Although we perform compliance processes and maintain internal control systems, we may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our processes or systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and result of operations. If any of our subsidiaries, operating entities, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and result of operations.

In addition, we currently cooperate with third party payment channels such as WeChat Pay to process payments for us. These third party payment channels are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations in China, which require them to comply with certain anti-money laundering requirements, including the establishment of a customer identification procedure, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. If a third party payment channel fails to perform its anti-money laundering obligations, it may be subject to fines or other proceedings in accordance with the



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relevant regulations. If any of our third party payment channel fails to comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material adverse effect on our business, financial condition and results of operations.

### **Our users may suffer from third party fraud when purchasing our virtual currency.**

We offer our users multiple options to purchase Inke Diamonds, our virtual currency. Users can make in-app purchases using third-party payment channels such as WeChat pay, Alipay and Apple's App Store, or purchase Inke Diamonds from our flagship store on *Tmall.com*. Other than the above-mentioned official purchase channels, there is no other means to purchase Inke Diamonds. However, from time to time, certain third parties fraudulently claim that users can purchase Inke Diamonds through them. If our users choose to purchase Inke Diamonds from such third parties, they may suffer losses from such fraudulent activities by third parties. Although we are not directly responsible for such fraudulent activities conducted by third parties, are not obligated to compensate and historically had not compensated the users for any such losses, our user experience may be adversely affected and they may choose to leave our platform as a result. Such fraudulent activities by third parties might also generate negative publicity, disputes or even legal claims. The measures we take in response to such negative publicity, disputes or legal claims may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

### **We are exposed to credit risk in relation to our accounts receivables.**

As of December 31, 2015, 2016 and 2017, our accounts receivables amounted to RMB3.1 million, RMB40.1 million and RMB42.9 million, respectively. These accounts receivables were primarily related to receivables due from online payment channels such as Apple Inc. As of December 31, 2016 and 2017, accounts receivables of RMB6.2 million and RMB14.4 million were past due, respectively. Although based on past experiences, the payment channels had good cooperation relationships with us, and had no significant financial difficulty in settling such receivables, and therefore no impairment provision was considered necessary against these balances, we cannot assure you that this will continue in the future. We may not be able to collect all such accounts receivables due to a variety of factors that are outside of our control. For example, if the strategic relationship between us and any of the online payment channels is terminated or deteriorated, or if any of the online payment channels experience financial difficulties in settling the accounts receivables, our corresponding accounts receivables might be adversely affected in terms of recoverability. As the amount of provisions made on our accounts receivables are recorded as expenses on our results of operations, if we are not able to manage the credit risk associated with our accounts receivable, our results of operations may be materially and adversely affected.

### **We are exposed to recoverability and liquidity risks in relation to our investments in associates and joint ventures.**

We have made investments in associates and joint ventures in the past in connection with our business operations. Our investments accounted for using the equity method amounted to nil, RMB 3.3 million and RMB175.1 million as of December 31, 2015, 2016 and 2017, respectively. We will only generate positive cash

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flow from such investments to the extent dividends are paid, or other distributions are made, on our equity interests, and will only recognize positive return on such investments if the sum of (i) the dividend paid to us, (ii) other distributions made to us, and (iii) the proceeds received from successfully selling such investments to others, if any, is higher than our cost of investments. Given our limited control over such associates and joint ventures, we cannot assure you that such associates and joint ventures can generate sufficient profits and are willing to distribute any of their profits to us as dividends, that we will be able to receive any other distributions from such associates and joint ventures, or that we will be able to transfer our investments to others at a profit. We recognized nil, RMB2.9 million and RMB1.5 million in share of loss of investments accounted for under the equity method. We cannot assure you that we will be able to recover any of the amount of our investment in associates and joint ventures.

***We may incur impairment charges for our intangible assets.***

Due to the frequent changes and development in technology, the assumptions we used in estimating the cash flow generated from our intangible assets may change, and the estimated useful life of our intangible assets might also be subject to significant estimate uncertainty. If any significant changes were to occur, we may incur impairment charges for our intangible assets, and if any significant impairment charges were made, our results of operation may be negatively affected.

**We face risks related to health epidemics and natural disasters.**

Our business could be adversely affected by the effects of epidemics. In recent years, there have been breakouts of epidemics in China and globally. Our business operations could be disrupted if one of our employees is suspected of having H1N1 flu, avian flu or another epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general and the mobile internet industry in particular.

We are also vulnerable to natural disasters and other calamities. Our backup system does not capture data on a real-time basis and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services on our platform.

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### RISKS RELATED TO OUR CONTRACTUAL ARRANGEMENT

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

We are a Cayman Islands company and our wholly-owned PRC subsidiary, Inke PRC, is considered a foreign-invested enterprise. The PRC government prohibits foreign investment in internet cultural activities and online audio and video program streaming services business and restricts foreign investment in value-added telecommunications and talent agency services businesses. See “Regulatory Overview — Regulations relating to the provision of internet content services”, “Regulatory Overview — Regulations relating to the internet audio-visual program services”, “Regulatory Overview — Regulations relating to online live streaming services”, “Regulatory Overview — Regulations relating to online game operation” and “Regulatory Overview — Regulations relating to mobile internet applications information services”. Due to these restrictions, we conduct our operations in China through Beijing Meelive and its subsidiaries (collectively, the “PRC Operating Entities”). Although we do not have any equity interest in our PRC Operating Entities, we are able to exercise effective control over them and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with our PRC Operating Entities and their shareholders. For a description of the Contractual Arrangements, see “Contractual Arrangements.”

Our PRC Legal Advisor is of the opinion that each of the agreements underlying the Contractual Arrangements (i) taken individually and collectively, are legal and valid, (ii) do not violate the articles of association of each of Inke PRC and Beijing Meelive, and (iii) are legally binding on and enforceable on the parties of each of the agreements underlying the Contractual Arrangements in accordance with their terms and provisions under applicable PRC laws and regulations, except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, and (iv) each of the agreements underlying the Contractual Arrangements does not fall within any of the circumstances under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. In particular, they will not be deemed as “concealing an illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law.

However, there can be no assurance that the PRC government authorities will not take a view in the future that is contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. The relevant PRC government authorities have broad discretion in dealing with deemed non-compliances or violations, including, without limitation:

- require the nullification of the Contractual Arrangements;
- revoke the business licenses and/or operating licenses of Inke PRC or our PRC Operating Entities;

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- require us to discontinue the business operations of Inke PRC or our PRC Operating Entities, or place restrictions or onerous conditions on such business operations;
- restrict our right to collect revenue;
- shut down all or part of our websites, applications or services;
- levy fines on us and/or confiscate the proceeds generated from the operations under the Contractual Arrangements;
- impose additional conditions or requirements which we may not be able to comply with;
- require us to undergo costly and disruptive restructurings; and
- take other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of our PRC Operating Entities or our right to receive economic benefits from our PRC Operating Entities, we would no longer be able to consolidate the financial results of our PRC Operating Entities.

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

### *Background of the Draft Foreign Investment Law*

MOFCOM published the Draft Foreign Investment Law in January 2015 for public review and comments aiming to, upon its enactment, replacing the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The Draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investment. While MOFCOM solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or a foreign invested entity or “FIE”. The Draft Foreign Investment Law specifically provides that

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entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM, treated as a PRC domestic investor, provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “foreign investors” refers to the following subjects making investments within China: (i) natural persons without PRC nationality; (ii) enterprises incorporated under the laws of countries or regions other than China; (iii) the governments of countries or regions other than China and the departments or agencies thereunder; and (iv) international organizations. Domestic enterprises under the control of the subjects as mentioned in the preceding sentence are deemed foreign investors. “Control” is broadly defined in the draft law to cover the following categories: (i) holding, directly or indirectly, not less than 50% of shares, equities, share of voting rights or other similar rights of the subject entity; (ii) holding, directly or indirectly, less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. Once an entity is determined to be a FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a Catalog of Special Administrative Measures, which is classified into the Catalog of Prohibitions and the Catalog of Restrictions, to be separately issued by the State Council later. Foreign investors are not allowed to invest in any sector set forth in the Catalog of Prohibitions. However, unless the underlying business of the FIE falls within the Catalog of Restrictions or Catalog of Prohibitions, which calls for market entry clearance by the MOFCOM, prior approval from governmental authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

The Draft Foreign Investment Law was released for consultation purposes and was still a draft as of the Latest Practicable Date. There is substantial uncertainty regarding the Draft Foreign Investment Law, including with respect to its final content (especially the provisions dealing with VIE structure), adoption timeline or effective date. Our PRC Legal Advisor advised that it is still unclear as at the Latest Practicable Date as to (i) what level of “actual control” is required to qualify as a domestic enterprise; (ii) how domestic enterprises operated by foreign investors under a contractual arrangement are to be regulated; and (iii) what businesses are to be classified as “restricted business” or “prohibited business” in the negative list under the Draft Foreign Investment Law.

### ***Impact of the Draft Foreign Investment Law on VIE***

The VIE structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. Therefore, for any company with a VIE structure in an industry category that is on the Catalog of Restrictions or Catalog of Prohibitions, the VIE structure may be deemed a domestic investment only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationality, then the variable interest entities will be treated as FIEs and any operation in the industry

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category on the Catalog of Restrictions or Catalog of Prohibitions without market entry clearance may be considered as illegal.

In addition, the Draft Foreign Investment Law does not indicate what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens. Moreover, it is uncertain whether the online literature industry, in which our PRC Operating Entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the “catalog of special administrative measures” to be issued.

If, upon its enactment, the current Draft Foreign Investment Law (i) does not recognize our structure under our Contractual Arrangements as a domestic investment; or (ii) requires foreign-invested enterprises to apply for access permission, which is a government permit that allows foreign investors to invest in “restricted” and/or “Prohibited” businesses on the negative list, our Contractual Arrangements may be regarded as invalid and illegal if we have not obtained such access permission. As a result, our Group may be required to dispose of the Principal Business (as defined in the section headed “Contractual Arrangements”) in the PRC and our Group would not be able to continue to conduct the Principal Business. For details of the Draft Foreign Investment Law and the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from Beijing Meelive and its subsidiaries, please refer to the section headed “Contractual Arrangements — Development in China Legislation on Foreign Investment”.

Given that the relevant government authorities have broad discretion in interpreting the foreign investment laws and there are uncertainties as to the possible approaches proposed in the Explanatory Notes on the treatment of existing contractual arrangements before the Draft Foreign Investment Law becomes effective, in the worst case scenario, the Contractual Arrangements may be regarded by the relevant government authorities as invalid and illegal and the Principal Business may be ordered by the relevant government authorities to be discontinued under the existing structure and may not be sustainable in the event that: (i) the operation of the Principal Business was to be recognized on the “negative list” and (ii) our Contractual Arrangements were not to be deemed as domestic investment by the relevant government authorities. As a result, we will not be able to operate the Principal Business through the Contractual Arrangements and will lose our rights to receive the economic benefits of Beijing Meelive and its subsidiaries under the Contractual Arrangements and the financial results of Beijing Meelive and its subsidiaries will no longer be consolidated into that of our Group and we will have to derecognize their assets and liabilities according to the relevant accounting standards. In such case, the Stock Exchange may also consider our Company to be no longer suitable for Listing on the Stock Exchange and delist our Shares. Our Company will, after the Listing, timely announce (i) any updates or material changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when they occur and (ii) the event that the new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

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**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our PRC Operating Entities or its shareholders may fail to perform their obligations under our Contractual Arrangements.**

Substantially all of our revenue and cash flow are attributed to our PRC Operating Entities. We have no equity ownership interests in our PRC Operating Entities and rely on the Contractual Arrangements with our PRC Operating Entities and their shareholders to control and operate our business in China. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our PRC Operating Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our PRC Operating Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, as a legal matter, if our PRC Operating Entities or their shareholders fails to perform its, his or her respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. For example, if the shareholders of our PRC Operating Entities were to refuse to transfer their equity interests in our PRC Operating Entities to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. Also see “— We conduct our business operation in China through PRC Operating Entities by way of the contractual arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

**We may lose the ability to use and enjoy assets held by our PRC Operating Entities that are material to our business operations if our PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.**

Our PRC Operating Entities hold assets that are material to our business operations. The Contractual Arrangements with our PRC Operating Entities contain terms that specifically obligate their shareholders to ensure the valid existence of our PRC Operating Entities and that our PRC Operating Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate our PRC Operating Entities, or should our PRC Operating Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business operations, which could materially adversely affect our business, financial condition and results of operations.

**The shareholders of our PRC Operating Entities may have conflicts of interest with us, which may materially and adversely affect our business.**

Our founders, Mr. Feng, Ms. Liao and Mr. Hou, are also registered shareholders of Beijing Meelive. Conflicts of interest between their dual roles in our Company and in our PRC Operating Entities may arise.

We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such



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conflicts of interest, these individuals may breach or cause our PRC Operating Entities to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our PRC Operating Entities. If we cannot resolve any conflict of interest or dispute between us and such shareholders of our PRC Operating Entities should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with our PRC Operating Entities and their shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation

**We conduct our business operation in China through PRC Operating Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws.**

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

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

**The Contractual Arrangements between Inke PRC and our PRC Operating Entities may subject our Group to increased income tax due to the different income tax rates applicable to Inke PRC and our PRC Operating Entities and adversely affect our results of operations.**

Under the Contractual Arrangements, our PRC Operating Entities are required to pay to Inke PRC service fees that equal to the profit before taxation of Beijing Meelive, including all profits attributable to Beijing

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Meelive of, and any other distributions received by Beijing Meelive from, any of its subsidiaries in any given year but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, expenses and tax of each of Beijing Meelive and its subsidiaries (as the case may be) in any given year. Inke PRC may adjust the service fee payable by Beijing Meelive at its sole discretion and allow Beijing Meelive to retain sufficient working capital to carry out any growth plans. Such service fee payments reduce our PRC Operating Entities' taxable income and correspondingly increase the taxable income of Inke PRC, which, combined with the different income tax rates applicable to our PRC Operating Entities and Inke PRC, have affected and may continue to affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis.

**If we exercise the option to acquire equity ownership and assets of our PRC Operating Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.**

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

Pursuant to the Contractual Arrangements, Inke PRC (or its designee) has the exclusive right to purchase all or any part of the equity interests in each of our PRC Operating Entities from their shareholders at a purchase price equal to the actual capital contributions made by their shareholders and corresponding to the optioned interests of the PRC Operating Entities, or at the lowest price permitted by PRC law, whichever is higher, for the optioned interests. Inke PRC (or its designee) also has the exclusive right to purchase all or any part of the assets in each of our PRC Operating Entities from their shareholders at a purchase price equal to the net book value of the corresponding assets, or at the lowest price permitted by PRC law, whichever is higher. In the event of such transfer, the lowest price permitted by PRC law may be substantially higher than the aforesaid actual capital contributions in case of purchasing the equity interests, or the net book value of relevant assets, or the competent tax authority may require Inke PRC to pay enterprise income tax for ownership transfer income with reference to the market value instead of the price as stipulated under the Contractual Arrangements, in which case Inke PRC may be subject to a substantial amount of tax and our financial condition may be materially adversely affected.

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### RISKS RELATED TO OUR INDUSTRY

**Regulation and censorship of information disseminated over the internet in China may adversely affect our business and subject us to liability for information displayed on or linked to our website.**

The PRC government controls virtually all internet access in China and may occasionally block internet access throughout the country or in certain regions due to political concerns, in particular in response to, or out of concerns for, special incidents or significant events, thereby preventing people in China, including our users, from accessing the internet and using our services.

The PRC government has adopted certain regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements could result in the revocation of ICP License and other required licenses and the closure of the concerned websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website. In addition, the MIIT has published regulations that subject website operators to potential liability for content included on their websites and the actions of users and others using their websites, including liability for violations of PRC laws prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider, or ISP, to block any internet website maintained outside China at its sole discretion. Periodically, the Ministry of Public Security has stopped the dissemination over the internet of information which it believes to be socially destabilizing. The State Secrecy Bureau, which is directly responsible for the protection of State secrets of the PRC government, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information.

As these regulations are subject to interpretation by the relevant authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us as a website operator. In addition, we may not be able to control or restrict the content of other internet content providers linked to or accessible through our websites, or content generated or placed on our websites by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of our content objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our websites, which may reduce our user traffic and have a material adverse effect on our financial condition and results of operations. In addition, if we are deemed to have facilitated the appearance of certain inappropriate materials placed by third parties on our platform, we may be subject to significant penalties for violations of those regulations arising from information displayed on, retrieved from or linked to our websites, including a suspension or shutdown of our operations.

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

The mobile live streaming industry in China is highly regulated. Under the current PRC regulatory scheme, a number of governmental authorities, including but not limited to the MOC, the MIIT, and the SAPPRFT, jointly regulate major aspects of the mobile live streaming businesses. Beijing Meelive, Hunan Inke, Hunan Anyue, Hunan Xiangsheng, Hunan Tiantianxiangshang and Haomei Information are required to obtain and maintain applicable licenses and approvals from different regulatory authorities in order to provide their current services.

As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we have obtained all the licenses and permits that are essential to the operation of our business, including, among others, the ICP Licenses for provision of internet information services, Online Culture Operating Licenses for cultural activities, the Permit for Spreading Audio-Visual Programs via Information Network for audio-visual program services, which are generally subject to regular government review or renewal. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws and regulations governing our business activities. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the revenue that were generated through the unlicensed internet or mobile activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

**There are currently no laws or regulations in China governing property rights of virtual assets and therefore it is not clear what liabilities, if any, we may have relating to the loss of virtual assets by our users.**

Users on our platform purchase, earn or accumulate certain virtual items, such as Inke Diamonds and Inke Coins. Such virtual items can be highly valued by users. In practice, virtual items can be lost for various reasons, such as data loss caused by delay of network service due to network crashes, or by hacking activities. There are currently no PRC laws and regulations governing property rights of virtual items. As a result, it is unclear who the legal owner of virtual items is and whether the ownership of virtual items is protected by law. In addition, it is unclear under PRC law whether an operator of a live streaming platform such as us would have any liability (whether in contract, tort or otherwise) for loss of such virtual assets by users. In case of a loss of virtual items, we may be sued by our users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations. Although we have not been involved in any virtual items related law suits, we cannot assure you that such law suits will not be brought against us in the future.

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### **Restrictions on virtual currency may adversely affect our revenues.**

We generate a substantial portion of our revenues through the sale of Inke Diamonds. The Notice on the Reinforcement of the Administration of Online Games issued by the Ministry of Culture and other governmental authorities on February 15, 2007, directs the People’s Bank of China to strengthen the administration of virtual currency to avoid any adverse impact on the PRC economy and financial system. This notice provides that the total amount of virtual currency issued by an operator and the amount purchased by individual users should be strictly limited, with a strict and clear division between virtual transactions and real transactions carried out by way of electronic commerce. This notice also provides that virtual currency should only be used to purchase virtual items.

On June 4, 2009, Ministry of Culture and Ministry of Commerce jointly issued Notice on the Strengthening of the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “Virtual Currency Notice”), which defines what virtual currency is and requires that entities obtain the approval from the Ministry of Culture before issuing virtual currency and engaging in transactions using virtual currency in connection with online games. As advised by our PRC Legal Advisor, the term “virtual currency” as defined under the Virtual Currency Notice refers to virtual currency issued by online game operators. As such, although the term “virtual currency” is widely used in the live streaming industry, such term as used in our industry does not fall under the definition under the Virtual Currency Notice. The Virtual Currency Notice mandated that virtual currency may only be used to purchase services and products provided by the online service provider that issues the virtual currency, and also prohibits businesses that issue online game virtual currency from issuing virtual currency through means other than purchases with legal currency, and from setting features that involve the direct payment of cash or virtual currency by users for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. Although we do not think the Virtual Currency Notice applies to the operation of our live streaming platform, given the wide discretion of relevant governmental authorities and uncertainties in the regulatory environment, we cannot assure that relevant governmental authorities will not in the future interpret the Virtual Currency Notice in a different way and subject our operation of our live streaming platform to the scope of the Virtual Currency Notice or issue new rules to regulate the virtual currency in the live streaming industry. In that case, our operation may be adversely affected.

### **RISKS RELATED TO DOING BUSINESS IN CHINA**

#### **PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.**

We conduct substantially all of our operations in China. Accordingly, our business, prospects, financial condition and operating results are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from other developed economies of the world in many respects, including:

- its political structure;

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- the amount and degree of the PRC government involvement and control;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in China's economic, political, social and legal conditions and policies will have any adverse effect on our current or future business, financial condition or results of operations. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past decades, growth has been uneven across different regions and among various economic sectors.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in China and, in turn, have an adverse impact on our business and financial condition.

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. In 2008 and 2009, however, in response to the global financial crisis, the PRC government has loosened such requirements. In response to the global financial crisis and economic downturn, the PRC government adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the PBOC statutory deposit reserve ratio and lowering benchmark interest rates.

Although the Chinese economy has grown significantly in the past decades, that growth may not continue and any slowdown may have a negative effect on our business. The overall Chinese economy affects our



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profitability, since expenditures on online entertainment products and services such as live streaming platforms may decrease in a slowing economy. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, could have a material adverse effect on the overall economic growth of China and investment in the live streaming industry. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

**Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.**

In the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC Operating Entities. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

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

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at



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designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

**PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to Inke PRC and/or our PRC Operating Entities.**

Any funds we transfer to Inke PRC, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to Inke PRC are subject to the approval of the MOFCOM or its local branches and registration with other governmental authorities in China. In addition, any foreign loan procured by Inke PRC is required to be registered with the SAFE or its local branches, and Inke PRC may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local branches. Any medium or long term loan to be provided by us to our PRC Operating Entities must be approved by the NDRC and the SAFE or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC Operating Entities. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect Inke PRC's liquidity and our ability to fund and expand our business.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operational Issues Concerning the Administration Improvement of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or SAFE Circular 142. SAFE Circular 142 regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting the usage of the converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise may only be used for purposes within the business scope approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within China unless otherwise permitted by the PRC law. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of a foreign invested enterprise. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. As a result, we are required to apply Renminbi funds converted from the net

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proceeds we expect to receive from the Global Offering within the business scope of Inke PRC. SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to Inke PRC or invest in or acquire any other companies in China. Furthermore, the SAFE promulgated SAFE Circular 59 on November 9, 2010, which tightens the regulation over settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceeds settled from offshore offerings shall be applied in the manner described in the offering documents. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or repay loans between non-financial enterprises. On March 30, 2015, the SAFE issued the Circular on Performing the Administration Approach regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19. Violations of these circulars could result in severe monetary or other penalties. These SAFE circulars may significantly limit our ability to convert, transfer and use the net proceeds from this offering and any offering of additional equity securities in China, which may adversely affect our business, financial condition and results of operations.

**Uncertainties with respect to the PRC legal system, in particular, those in relation to the live streaming industry, could adversely affect us.**

Substantially all of our business is conducted in China and is governed by PRC laws and regulations. Inke PRC and our PRC Operating Entities are located in China and subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to online game development and operation. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

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

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was amended on June 22, 2009 (the “M&A Rules”). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and

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complex. For example, the M&A Rules requires that MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law (《反壟斷法》) promulgated by the Standing Committee of the National People's Congress on August 30, 2007 and effective as of August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be notified and cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於建立外國投資者併購境內企業安全審查制度的通知》), or Circular No. 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. In August 2011, MOFCOM promulgated the Rules on Implementation of Security Review System (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the MOFCOM Security Review Rules, to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度有關事項的暫行規定》) promulgated by MOFCOM effective from March 2011 and expired by the end of August 2011, for implementing Circular No. 6. The MOFCOM Security Review Rules, which became effective on September 1, 2011, explicitly provide that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. In the future, we may grow our business by acquiring complementary businesses.

Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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

Under the PRC EIT Law, which came into effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and their global income will generally be subject to the uniform 25% corporate income tax rate. Under the Implementation Rules for the PRC EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in China. In addition, on August 3, 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Resident Enterprise Administrative Measures, which became effective as of September 1, 2011. The Resident Enterprise Administrative Measures provide clarification for resident status determination, post-determination administration, as well as competent tax authorities. However, Circular 82 and the Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by PRC individuals, like our company. Currently there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “de facto management body” for the company of our type. We do not believe we or any of our subsidiaries registered outside of China are a resident enterprise defined and regulated by the aforesaid regulation, as none of our shareholders is a PRC company or PRC corporate group. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us. If the PRC authorities were to subsequently determine, or any future regulation provides, that we or any of our subsidiaries registered outside of China should be treated as a PRC resident enterprise, we or such subsidiaries would be subject to a 25% corporate income tax on our global income, which will significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

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

During the Track Record Period, we received various government grants from local government authorities, including government incentives to reward our support to the development of local economy and certain value-added tax subsidies. Such government grant amounted to nil, nil and RMB71.2 million in 2015, 2016 and 2017, respectively. During the Track Record Period, we also received certain preferential tax treatment. For example, Beijing Meelive qualified as a high-tech enterprise since 2016 and was entitled to a preferential enterprise income tax rate of 15% from 2016 to 2018. In addition, Hunan Inke qualified as a software enterprise since 2017, and was entitled to a tax holiday consisting of a two-year enterprise income tax exemption starting from 2017, and a preferential enterprise income tax rate of 12.5% from 2019 to 2021. See the section headed

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“Financial Information — Taxation” for more information about the enterprise income tax rates applicable to the subsidiaries of Beijing Meelive.

Nevertheless, such government grants and preferential tax rates are non-recurring in nature, and the government authorities may decide to reduce or cancel such government grants or tax preferences at any time. The discontinuation, reduction or delay of these governmental grants or preferential tax treatment could adversely affect our financial condition and results of operations. In addition, we might not be able to successfully or timely obtain the government grants or preferential tax treatments that may be available to us in the future, and such failure could adversely affect our financial condition and results of operations.

**Inke HK, our Hong Kong subsidiary is subject to PRC withholding tax under the New Enterprise Income Tax Law and we may not be able to enjoy the preferential tax rate of 5%.**

Under the EIT Law and its implementation regulations, China-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an establishment or place of business in China or, despite the existence of such establishment or place in China, the relevant income is not actually connected with such establishment or place in China, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty or arrangement with China that provides a different withholding arrangement.

Under an arrangement between China and the Hong Kong Special Administrative Region, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity is a “beneficial owner” and such entity directly owns at least 25% of the equity interest of the PRC company. The Notice of the State Administration of Taxation on How to Comprehend and Determine the “Beneficial Owners” in Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》), effective from October 27, 2009, provides certain conditions under which a company cannot be defined as a “beneficial owner” under the treaty, and further provides that an agent or “conduit company” (defined as a company usually established for purposes of evading or reducing taxes, and transferring or accumulating profits, and registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a “beneficial owner”. If the PRC tax authorities determine that our Hong Kong subsidiary is a “conduit company”, we may not be able to enjoy a preferential withholding tax rate of 5%.

**Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.**

Under the PRC EIT Law and the EIT Rules, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (i.e., those enterprises that do not have an establishment or place of business in China, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within China. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived

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from sources within China. If the dividends we pay to our shareholders are regarded as income derived from sources within China, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

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

All of our executive Directors and executive officers reside within China, and substantially all of our assets are located within China. Therefore, it may be difficult for investors to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

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

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprise Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “SAT Circular 698”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅



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若干問題的公告》) (the “SAT Public Notice 7”). SAT Public Notice 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698, which remain in force. SAT Public Notice 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Public Notice 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On October 17, 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “SAT Public Notice 37”), which, among others, repeals the Circular 698 on December 1, 2017. SAT Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under Circular 698. And certain rules stipulated in SAT Public Notice 7 are replaced by SAT Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of SAT Public Notice 7 and SAT Public Notice 37. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Public Notice 7 and SAT Public Notice 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under SAT Public Notice 7 and SAT Public Notice 37



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and may be required to expend valuable resources to comply with SAT Public Notice 7 and SAT Public Notice 37 or to establish that we should not be taxed under SAT Public Notice 7 and SAT Public Notice 37, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us. We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

**Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC Operating Entities' abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC Operating Entities.**

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment, Financing and Roundtrip Investment Through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 37"), to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 75"), which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities.

To our best knowledge, all our shareholders who are subject to the regulations have registered with the SAFE their respective investment in us. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE Circular 37 or other related rules. Any future failure by any of our shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC Operating Entities' abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC Operating Entities.

**The PRC Labor Contract Law, any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.**

During the Track Record Period, we used to engage third-party employment agencies to dispatch contract workers. On December 28, 2012, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of our total number of employees to be decided by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the dispatched contract workers can only engage in temporary, auxiliary or

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substitute work. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions on Labor Dispatch further requires the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees prior to March 1, 2016. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees.

Historically, the number of dispatched contract workers employed by Hunan Inke used to exceed 10% of the total number of its employees. As of December 31, 2017, Hunan Inke had 293 employees, including 71 dispatched contract workers. These dispatched contract workers engaged in the same types of work as other directly hired employees, instead of temporary, auxiliary or substitute work. Therefore, Hunan Inke may be deemed to have violated the rules regulating dispatched contract workers. After identifying the potential violation, we formulated and implemented a plan to reduce the percentage of our dispatched contract workers. As of the Latest Practicable Date, Hunan Inke directly hired all its employees. As confirmed by the competent government authorities, we were never fined, penalized, or had any regulatory action imposed against us, because of this potential non-compliance incident. As advised by our PRC Legal Advisor, given that this potential non-compliance incident had already been rectified, the chance of any fines, penalties or regulatory actions being imposed against us because of this historical potential non-compliance incident is less likely. However, the application and interpretation of these new requirements under the amended Labor Contract Law are limited and uncertain. If we were found to be in violation of the new rules regulating dispatched contract workers, and the competent government authorities decided to penalize us because of this historical non-compliance, we may be subject to a penalty in the amount of up to RMB390,000. Such penalty, and any labor shortages, increased labor cost or other factors affecting our labor force in relation thereto, may adversely affect our business, profitability and reputation.

### **RISKS RELATED TO THE GLOBAL OFFERING**

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

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us and the Joint Global Coordinators (on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. In addition, there can be no guarantee that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering or that the market price of our Shares will not decline below the Offer Price.

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

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the

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## RISK FACTORS

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final Offer Price will be set at HK\$3.47 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$3.47, the estimated net proceeds we will receive from the Global Offering will be reduced to HK\$935.7 million and such reduced proceeds will be used as described in the “Future Plans and Use of Proceeds — Use of Proceeds” section.

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

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

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

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

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, including but not limited to the issue of additional Shares under the Over-allotment Option, Share Option Scheme and the RSU Scheme, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

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

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

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## RISK FACTORS

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**Certain statistics contained in this prospectus are derived from a third party report which are not independently verified by us. There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert report, contained in this prospectus.**

This prospectus, particularly the section headed “Industry Overview” in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the live interactive video markets in China and certain other countries and regions. Such information and statistics have been derived from various government publications, market data providers and other independent third-party sources, including a third-party report commissioned by us. The sources of such information are conventional sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the accuracy and completeness of such information. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy of such facts and statistics. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Therefore, you should not place undue reliance on such information as a basis for making your investment in our Share.

**You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us, our business, our industry and the Global Offering. There may be additional media coverage regarding us, our business, our industry and the Global Offering subsequent to the date of this prospectus but prior to the completion of the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the Global Offering has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

The headquarters of our Group is located in China. All of our executive Directors and substantially all members of the senior management of our Group currently reside the PRC. Substantially all of the business operations and management functions of our Group are carried out in China. We do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular communication between the Stock Exchange and us:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, namely Ms. Liao Jieming, our Chief Operating Officer and executive Director and Mr. Wong Yu Kit, a joint company secretary of our Company, to act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorized representatives has means to contact all Directors (including the non-executive Directors and independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:
  - i. each Director will provide his or her mobile phone number, office phone number, email address and facsimile number (where applicable) to the authorized representatives;
  - ii. each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is traveling; and
  - iii. each Director will provide his or her mobile phone number, office phone number, email address and facsimile number (where applicable) to the Stock Exchange;
- (c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Guotai Junan Capital Limited to act as our compliance adviser who will act as an additional channel of communication between the

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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Stock Exchange and the Company for the period commencing on the Listing Date and ending on the date that the Company publishes our financial results for the first full financial year commencing after the Listing Date pursuant to Rule 13.46 of the Listing Rules;

- (d) any meetings between the Stock Exchange and the Directors may be arranged through the authorized representatives within a reasonable time frame;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives;
- (f) our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange within a reasonable period of time upon request; and
- (g) each of our Directors will provide his or her mobile phone number, office phone number, e-mail address and facsimile number (where applicable) to the Stock Exchange.

### WAIVER IN RELATION TO OUR JOINT COMPANY SECRETARY

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

We have appointed Mr. Xiao Liming (肖力銘) as one of the joint company secretaries. Mr. Xiao joined our Group in December 2016 and is currently a senior director of our Company. Prior to joining our Group, Mr. Xiao served as a senior associate of BOC International Securities Co. Ltd., (中銀國際證券股份有限公司) from August 2010 to April 2014. From May 2014 to July 2015, he also served as a senior manager of China Renaissance Pan-Asia Investment Consulting (Beijing) Limited (華興泛亞投資顧問(北京)有限公司). Mr. Xiao then worked at Chengdu Long Mobile Technology Limited (DragonestGames) (成都龍淵網絡科技有限公司) as a vice-president from August 2015 to November 2016. Mr. Xiao graduated from the University of Warwick in November 2009 with a master's degree in Science. However, Mr. Xiao does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules. As such, our Company has appointed and engaged, Mr. Wong Yu Kit (黃儒傑), who possess the requisite qualification and experience as required under Rule 3.28 of the Listing Rules, to act as another joint company secretary of our Company and to provide assistance to Mr. Xiao for an initial period of three years from the Listing Date so as to ensure that Mr. Xiao would be able to acquire the necessary experience to satisfy the requirements of Rule 3.28 of the Listing Rules. Mr. Xiao will work closely with Mr. Wong to jointly discharge the duties and responsibilities as joint company secretaries with reference to their past experience and education background.

Moreover, we will ensure Mr. Xiao has access to relevant training and support to familiarize himself with the Listing Rules and other relevant laws, rules and regulations. Further, Mr. Xiao undertakes to take no less than

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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15 hours of relevant professional training on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules.

Given Mr. Xiao's qualification and past experience, it is anticipated that Mr. Xiao will gain experience with the assistance of Mr. Wong. It is intended that a further evaluation of the qualification and experience of Mr. Xiao and the need for on-going assistance would be made three years after our Listing. The expectation is that we and Mr. Xiao would then endeavor to demonstrate to the Stock Exchange's satisfaction that Mr. Xiao having had the benefit of Mr. Wong's assistance, would then have acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules such that a further waiver may not be required.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules in respect of the appointment of Mr. Xiao as one of the joint company secretaries for a period of three years from the Listing Date. In the initial three years from the Listing Date, Mr. Xiao is to work closely with Mr. Wong, who will provide assistance to Mr. Xiao in the discharge of his duty as company secretary. The waiver will be revoked immediately if Mr. Wong ceases to provide assistance and guidance to Mr. Xiao during the initial three years after the Listing Date. Before the end of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Mr. Xiao's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules to duly discharge his duties as a company secretary of our Company so that a further waiver will not be necessary.

### CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed "Connected Transactions" in this prospectus.



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### DIRECTORS' RESPONSIBILITY STATEMENT

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

### THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

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

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

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

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), on or before Monday, July 9, 2018, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangement, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **Downward Offer Price Adjustment**

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

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

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

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

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

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

### **OVER-ALLOTMENT OPTION AND STABILIZATION**

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering” in this prospectus.

### **RESTRICTIONS ON OFFERS AND SALES OF SHARES**

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option and any Shares which may be issued under the Share Option Scheme and the RSU Scheme).

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

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, July 12, 2018. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 3700.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

### **REGISTER OF MEMBERS AND STAMP DUTY**

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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by the Hong Kong Share Registrar in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered in our Hong Kong register will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for, or the market value of, the Shares is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

### **CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL**

The Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified, amounts denominated in RMB and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rates: RMB0.8077: HK\$1.00 and US\$1.00: RMB6.3340.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

### **ROUNDING**

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

### **LANGUAGE**

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

### **OTHER**

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Residential Address	Nationality
<b>Executive Directors</b>		
FENG Yousheng (奉佑生)	Flat 2001, Block 8 Wanguocheng Dongcheng District Beijing PRC	Chinese
LIAO Jieming (廖潔鳴)	#102 Unit 1 Building 1 Bihaiyuan Fanhaiguoji Yaojiayuan Road Chaoyang District Beijing PRC	Chinese
HOU Guangling (侯廣凌)	Room 252 Building 367 Qijiankaixuan Community Wanshengbeili Tongzhou District Beijing PRC	Chinese
<b>Non-Executive Director</b>		
LIU Xiaosong (劉曉松)	25/F, A8 Music Building No. 1002 Keynan Road Hi-tech Park Nanshan District Shenzhen PRC	Chinese
<b>Independent Non-Executive Directors</b>		
David CUI (崔大偉)	No. 6387 Capital Paradise Villa District Houshayu Town Shunyi District Beijing PRC	Canadian

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
DU Yongbo (杜永波)	6A Lirong West Road Chateau Regalia Tianzhu Shunyi District Beijing PRC	Chinese
LI Hui (李璿)	1531 Awalt Court Los Altos California United States of America, 94024	American

Further information about the Directors and other senior management members are set out in “Directors and Senior Management”.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### **Joint Sponsors**

(in alphabetical order)

China International Capital Corporation Hong Kong  
Securities Limited  
29/F, One International Finance Centre  
1 Harbor View Street  
Central  
Hong Kong

Citigroup Global Markets Asia Limited  
50/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

Deutsche Securities Asia Limited  
52/F, International Commerce Center  
1 Austin Road West  
Kowloon  
Hong Kong

#### **Joint Global Coordinators**

China International Capital Corporation Hong Kong  
Securities Limited  
29/F, One International Finance Centre  
1 Harbor View Street  
Central  
Hong Kong

Deutsche Bank AG, Hong Kong Branch  
52/F, International Commerce Center  
1 Austin Road West  
Kowloon  
Hong Kong

Citigroup Global Markets Asia Limited  
50/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

#### **Joint Bookrunners and Joint Lead Managers**

China International Capital Corporation Hong Kong  
Securities Limited  
29/F, One International Finance Centre  
1 Harbor View Street  
Central  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Deutsche Bank AG, Hong Kong Branch  
52/F, International Commerce Center  
1 Austin Road West  
Kowloon  
Hong Kong

Citigroup Global Markets Asia Limited  
(in relation to the Hong Kong Public Offering)  
50/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

Citigroup Global Markets Limited  
(in relation to the International Offering)  
Citigroup Center  
33 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

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

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

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

### **Joint Lead Manager**

Futu Securities International (Hong Kong) Limited  
11/F, Bangkok Bank Building  
18 Bonham Strand West, Sheung Wan  
Hong Kong

### **Legal Advisers to Our Company**

*As to Hong Kong and U.S. laws:*

Simpson Thacher & Bartlett  
35/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to PRC laws:*

King & Wood Mallesons  
40/F, Office Tower A  
Beijing Fortune Plaza  
7 Dongsanhuan Zhong Road  
Chaoyang District  
Beijing 100020  
PRC

*As to Cayman Islands laws:*

Maples and Calder (Hong Kong) LLP  
53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

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

*As to Hong Kong and U.S. laws:*

Kirkland & Ellis  
26th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*

Zhong Lun Law Firm  
31, 33, 36, 37/F, SK Tower  
6A Jianguomenwai Avenue  
Chaoyang District  
Beijing 100022  
PRC

**Reporting Accountant and Auditor**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22/F, Prince's Building  
Central  
Hong Kong

**Industry Consultant**

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.  
Room 1018, Tower B  
500 Yunjin Road  
Shanghai, 200232  
PRC

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Receiving Bank**

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

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## CORPORATE INFORMATION

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<b>Registered Office</b>	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
<b>Headquarters</b>	Zone C, Block A, Greenland Center Area 4, Wangjing East Garden Chaoyang District Beijing, 100102 PRC
<b>Principal Place of Business in Hong Kong</b>	18/F., Tesbury Center 28 Queen's Road East Wanchai Hong Kong
<b>Company's Website</b>	<a href="https://www.inke.cn/">https://www.inke.cn/</a> <i>(The information on the website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	WONG Yu Kit (黃儒傑) (HKICS/ICSA) XIAO Liming (肖力銘)
<b>Authorized Representatives</b>	LIAO Jieming (廖潔鳴) Zone C, Block A, Greenland Center Area 4, Wangjing East Garden Chaoyang District Beijing, 100102 PRC  WONG Yu Kit (黃儒傑) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Audit Committee</b>	David CUI ( <i>Chairman</i> ) LIU Xiaosong LI Hui
<b>Remuneration Committee</b>	DU Yongbo ( <i>Chairman</i> ) LIU Xiaosong David CUI

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## CORPORATE INFORMATION

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**Nomination Committee**

FENG Yousheng (*Chairman*)  
DU Yongbo  
LI Hui

**The Cayman Islands Principal Share  
Registrar and Transfer Office**

Maples Fund Services (Cayman) Limited  
PO Box 1093  
Boundary Hall  
Cricket Square  
Grand Cayman  
KY1-1102  
Cayman Islands

**Hong Kong Share Registrar**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**Compliance Adviser**

Guotai Junan Capital Limited  
27/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Principal Banks**

China Merchants Bank, Shouti Branch  
1/F, Tengda Building  
168 Xiwai Dajie  
Haidian District  
Beijing  
PRC

China Merchants Bank, Wanda Branch  
1/F, Tower 7, Wanda Plaza  
93 Jianguo Road  
Chaoyang District  
Beijing  
PRC

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## INDUSTRY OVERVIEW

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*The information and statistics set forth in this section and elsewhere in this prospectus have been derived from various official and government publications, publicly available market research sources and an industry report commissioned by us and independently prepared by Frost & Sullivan in connection with the Global Offering (the “Frost & Sullivan Report”). We believe that the sources of such information and statistics are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, neither we nor any other party involved in the Global Offering have independently verified such information, and neither we nor any other party involved in the Global Offering are giving any representation as to the accuracy or completeness of such information. Certain information and statistics included herein may not be consistent with other information and statistics compiled within or outside of China by third parties. As such, investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set forth in this section or similar information included elsewhere in this prospectus. For a discussion of risks relating to our industries, please refer to “Risk Factors — Risks Related to Our Industry.”*

### SOURCES OF INFORMATION

In connection with the Global Offering, we commissioned Frost & Sullivan to conduct market research concerning the mobile live streaming market and mobile live streaming advertising market in China, because we believe that Frost & Sullivan has specialized research capabilities and experience in tracking user data for such markets.

#### The Frost & Sullivan Report

Frost & Sullivan is an independent global consulting firm that offers industry research and market strategies covering various industries including technology, media, telecom and consumer products. In preparing the Frost & Sullivan Report, Frost & Sullivan adopted multi-sources methodologies to build up industry data, and conducted secondary research, which involved the review of industry reports, trade journals, public company annual reports, independent research reports and data from market database and Frost & Sullivan’s in-house research database. Frost & Sullivan also conducted primary research, which involved in-depth telephone and face-to-face interviews with experienced industry experts and leading industry participants. Frost & Sullivan’s projections on market sizes are based on its market forecasting methodology, which takes into consideration various factors, including (i) historical data, (ii) macroeconomic environment, (iii) key market drivers and restraints of the related market estimated by Frost & Sullivan, and (iv) expert opinions on the future development. Frost & Sullivan’s projections on the market sizes of the mobile live streaming market and mobile live streaming advertising markets are based on certain assumptions, including: (i) the stability of Global and China’s social, economic and political environment; and (ii) related key industry drivers remain relevant and continue to affect the market over the forecast period. The different assumptions and estimates made by Frost & Sullivan, and the limitations on the availability of certain data, may impact the comparability of certain industry data. We have agreed to pay Frost & Sullivan a commission fee of RMB620,000 for the preparation of the Frost & Sullivan Report.

## INDUSTRY OVERVIEW

### Directors' Confirmation

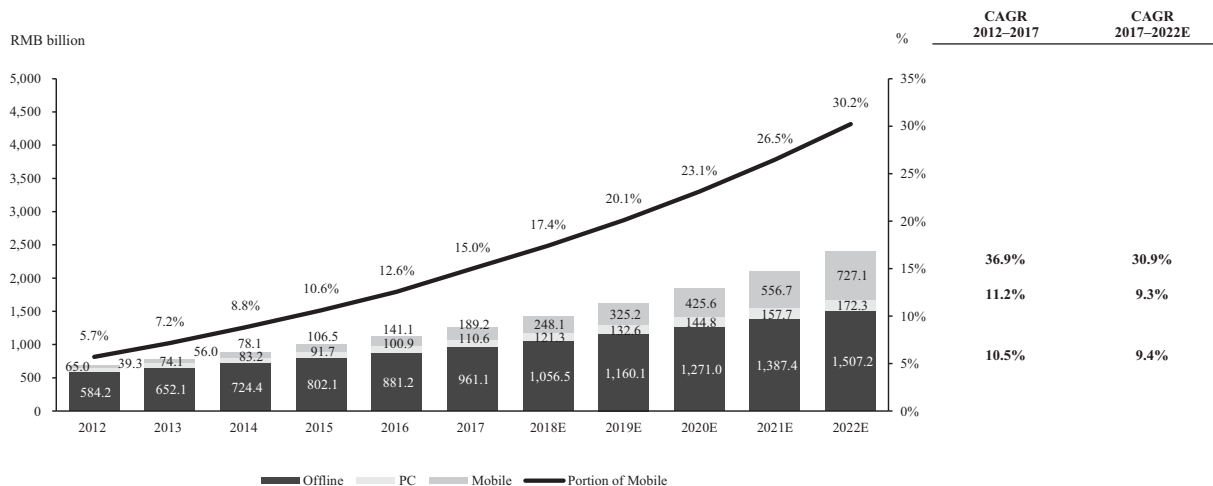
After making reasonable enquiries, our Directors confirm that there has been no adverse change in the market information presented in the Frost & Sullivan Report since the date of the report which may qualify, contradict or have an impact on the information in this Industry Overview section.

### INCREASING DEMANDS FOR MOBILE ENTERTAINMENT IN CHINA

In recent years, culture and entertainment spending in China has witnessed steady growth. According to the Frost & Sullivan Report, from 2012 to 2017, disposable income per capita in China increased from RMB16,510.0 in 2012 to RMB25,974.0 in 2017, representing a CAGR of 9.5%. During the same period, annual spending on culture and entertainment in China grew at a CAGR of 12.9%, reaching RMB1,260.9 billion in 2017. However, annual spending on culture and entertainment per capita in China is still significantly lower than that of other developed countries in both absolute amount and as a percentage of disposable income per capita, and has great growth potential. According to the Frost & Sullivan Report, in 2017, culture and entertainment spending per capita in China accounted for 3.5% of the disposable income per capita in China, as compared to 4.7% for United States and 4.1% for Japan. According to the Frost & Sullivan Report, annual culture and entertainment spending in China is expected to increase from RMB1,260.9 billion in 2017 to RMB2,406.6 billion in 2022, at a CAGR of 13.8%.

Driven by factors including the upgrades in entertainment consumptions and the transformation of lifestyles of young Chinese consumers, mobile culture and entertainment spending in China has also witnessed rapid growth in recent years. According to the Frost & Sullivan Report, mobile culture and entertainment spending increased at a CAGR of 36.9% from RMB39.3 billion in 2012 to RMB189.2 billion in 2017, and is expected to grow at a CAGR of 30.9% from 2017 to 2022, reaching RMB727.1 billion in 2022. The following chart sets forth the culture and entertainment spending in China for the years indicated:

**Culture and Entertainment Spending (China), 2012-2022E**



Source: Frost & Sullivan Report



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## INDUSTRY OVERVIEW

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With the increasing popularity of smartphones and the 4G network, people's mobile entertainment demands are shifting from images, texts and music to videos. According to the Frost & Sullivan Report, China's smartphone penetration rate reached 84.7% in 2017, and is expected to reach 95.5% in 2022. 4G users in China increased from 97.3 million in 2014 to 925.0 million in 2017, and it is expected that by 2022, 4G and 5G network users will exceed 1.3 billion. The network evolution will further lower the bandwidth costs, allowing users to enjoy video-based entertainment solutions with better viewing experiences and at lower costs. The market size of mobile video-based entertainment in China amounted to RMB46.4 billion in 2017, and is expected to increase to RMB128.8 billion in 2022.

The mobile payment market in China has also experienced rapid growth. Mobile payment channels such as Alipay and WeChat Pay are gaining increasing popularity in China, especially among young users with high disposable income, and mobile payment is becoming more and more convenient and safe.

Driven by factors including the increasing purchase power, hardware and infrastructure upgrades, the growing needs for better entertainment experience, and the convenience and popularity of mobile payment, people are increasingly willing to pay for personalized and high-quality online entertainment content.

### CHINA'S FAST GROWING MOBILE LIVE STREAMING MARKET

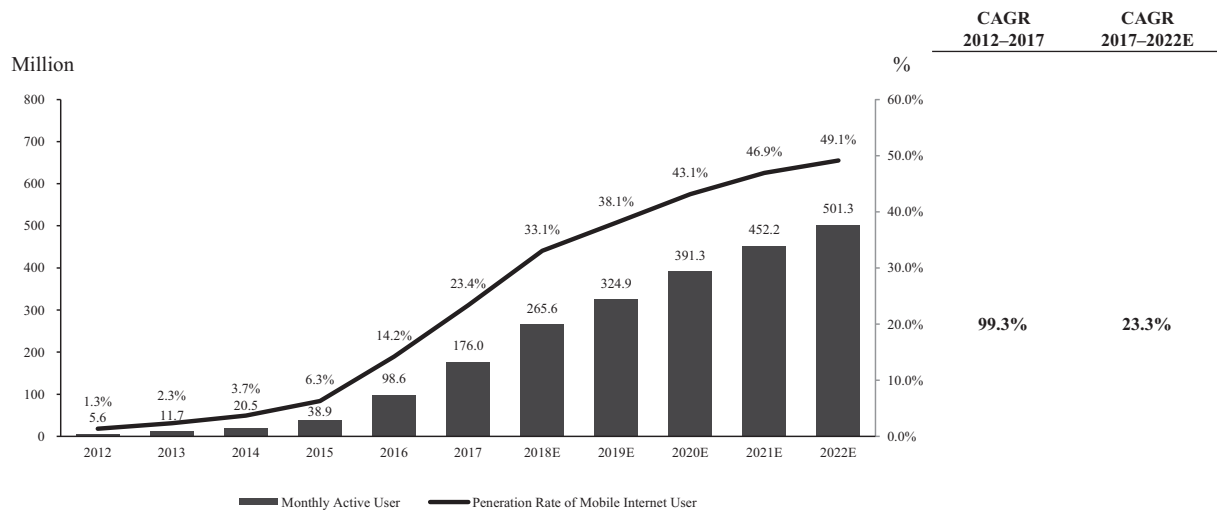
Live streaming is an innovative form of online video entertainment that features multi-person real time interactions with diversified content. Streamers and viewers interact with each other on a real-time basis, by live chatting, purchasing and giving virtual items, and so on.

Mobile live streaming refers to live streaming and viewing using mobile devices such as cell phones or tablets. Compared with PC live streaming, mobile live streaming not only represents an extension and migration of viewing channels, but also lowers the barriers for live streaming because mobile devices are much easier to carry, allowing users to live stream at any time of a day, from anywhere in the world with internet connection, thereby further diversifies the content offering and enhances the social attributes of live streaming. PC and mobile live streaming platforms have apparent differences in terms of, among other things, the users' viewing and streaming behaviors, the product designs, the technologies involved, the infrastructures involved, the entry barriers for new industry participants, etc., and mobile live streaming is widely regarded as a distinct market sector separate from PC-based live streaming.

## INDUSTRY OVERVIEW

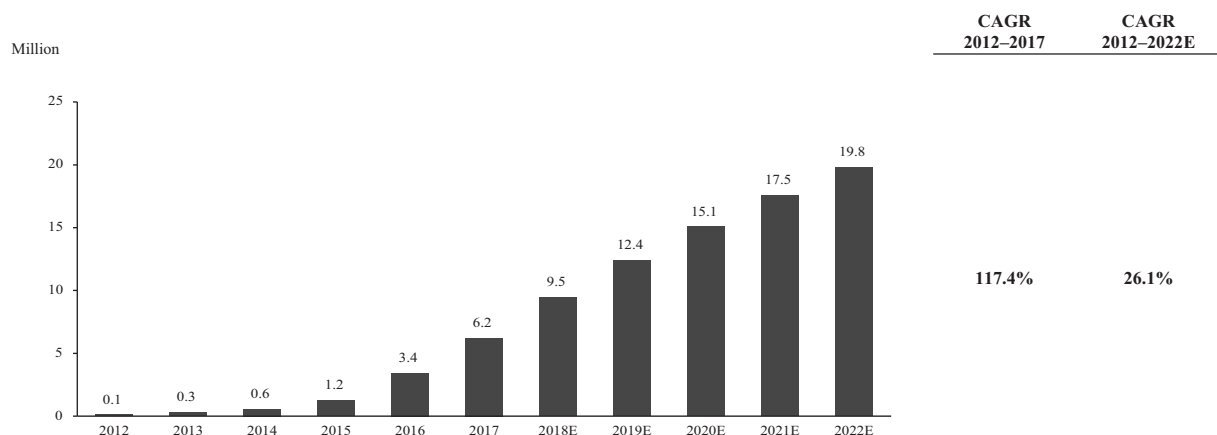
In recent years, China’s mobile live streaming market has grown rapidly. According to the Frost & Sullivan Report, the mobile live streaming monthly active user base in China increased from 5.6 million in 2012 to 176.0 million in 2017 at a CAGR of 99.3%, and is expected to further increase at a CAGR of 23.3% to 501.3 million in 2022. The mobile live streaming monthly paying user base in China increased from 0.1 million in 2012 to 6.2 million in 2017 at a CAGR of 117.4%, and is expected to further increase at a CAGR of 26.1% to 19.8 million in 2022. The following charts set forth the mobile live streaming monthly active user base and monthly paying user base in China for the years indicated:

### Mobile Live Streaming Monthly Active User Base in China, 2012-2022E



Source: Frost & Sullivan Report

### Mobile Live Streaming Monthly Paying User Base in China, 2012-2022E

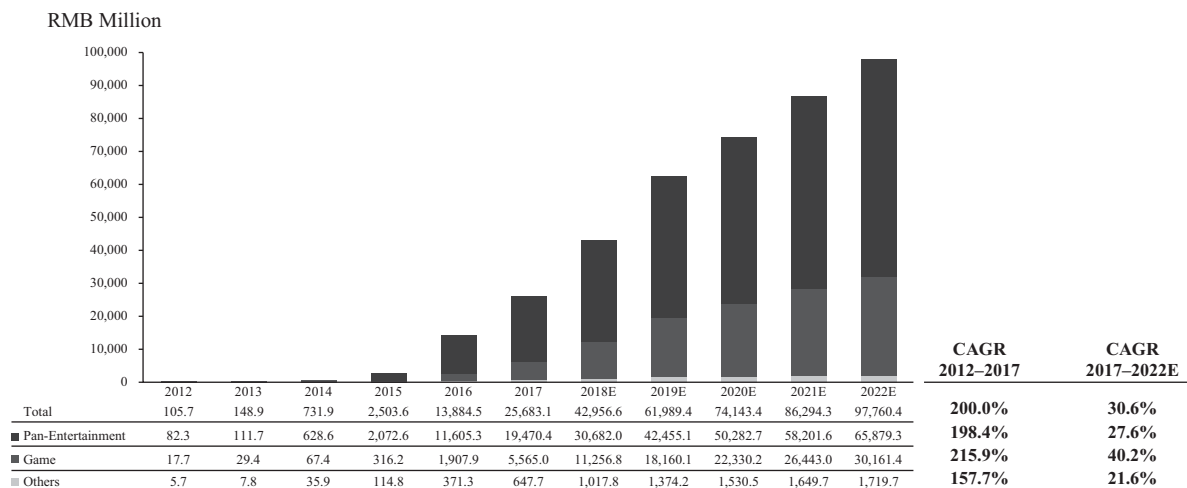


Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

The overall live streaming (i.e., including both PC and mobile live streaming) market size grew from RMB1.0 billion in 2012 to RMB36.6 billion in 2017 at a CAGR of 104.4%, and is expected to further increase to RMB110.0 billion in 2022, representing a CAGR of 24.6%. The mobile live streaming market size grew from RMB105.7 million in 2012 to RMB25.7 billion in 2017 at a CAGR of 200.0%, and is expected to further increase to RMB97.8 billion in 2022, representing a CAGR of 30.6%. The following chart sets forth the mobile live streaming market size in China for the years indicated. In the following chart, the platforms are categorized based on the major type of streaming content on the platforms:

### Mobile Live Streaming Market Size by Platform Category (China), 2012-2022E



Source: Frost & Sullivan Report

By the major type of streaming content on the platforms, mobile live streaming platforms can be largely categorized into pan-entertainment live streaming platforms, game live streaming platforms and others. On pan-entertainment live streaming platforms, the majority of the streamers showcase their talents through performances such as singing, dancing, or talk shows. On game live streaming platforms, the majority of the streamers show to the viewers the screens of the games they are playing, and share game-playing tips and strategies with the viewers. In addition to pan-entertainment and game live streaming platforms, there are also some platforms that focus on certain vertical fields such as sports, finance and education.

According to the Frost & Sullivan Report, users of game live streaming platforms are mainly young male game players. In general, game live streaming platforms heavily rely on a small number of top streamers who have outstanding game playing skills, and they typically enter into streaming contracts with such top game streamers and pay significant sign on fees to and share a higher percentage of revenue with them. In comparison, pan-entertainment live streaming platforms typically have lower entry barriers for streamers, offer richer streaming contents and more diversified interactions among users, and rely relatively less on top streamers as compared to game live streaming platforms. According to the Frost & Sullivan Report, users on pan-entertainment live streaming platforms are generally more willing to pay as compared to game live streaming platforms. The paying user ratio, and the average gross billings (or revenue) per paying user, of pan-entertainment live streaming platforms are typically much higher than that of game live streaming platforms.

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According to the Frost & Sullivan Report, it is not uncommon for viewers and streamers to spend significant time on live streaming platforms, and many viewers are affluent users and are willing to spend heavily on purchasing and giving virtual gifts on live streaming platforms, especially those leading platforms.

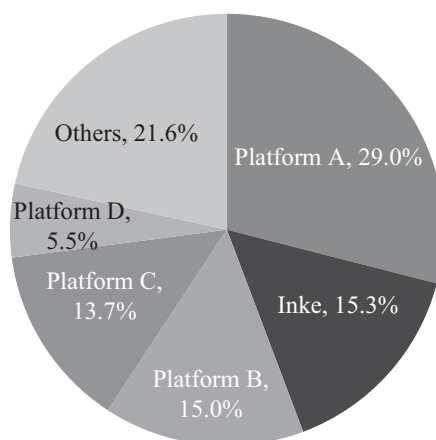
According to the Frost & Sullivan Report, in 2017, the main source of revenue of mobile live streaming platforms in China is from the sale of virtual items to paying users, which accounted for more than 83% of the total revenue of such platforms. Going forward, it is expected that new business models, such as live streaming plus e-commerce, and live streaming plus social games, will be developed and more vertical contents will be offered, bringing significant monetization opportunities.

The major drivers for the mobile live streaming market in China mainly include (i) the consumption upgrades and the increased purchase power of the general public, especially young mobile internet users, in China; (ii) upgrades of smart phones and other mobile hardware, as well as internet and telecommunication infrastructure; (iii) the development of new technologies that enhances user experiences; (iv) stricter regulations guiding the industry to develop in a healthy and sustainable way, which will also benefit the leading live streaming platforms; and (v) the increasing popularity of mobile payment.

### COMPETITIVE LANDSCAPE OF CHINA'S MOBILE LIVE STREAMING MARKET

According to the Frost & Sullivan Report, in 2017, the leading mobile live streaming platforms in China include Inke, Momo, YY Live, Huya and Douyu. Certain other players in the internet industry in China such as Kuaishou and Toutiao had also established their mobile live streaming businesses. The following chart sets forth the market shares of the major mobile live streaming platforms in China, in terms of revenue in 2017:

#### **Market Share of Mobile Live Streaming Platforms by Revenue, 2017**



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Source: Frost & Sullivan Report

Note: As used in this section, Platform A refers to one of the largest mobile-based social networking platforms based in China that enables users to establish and expand social relationships based on location and interests; Platform B refers to a live streaming platform based in China, which enables users to interact in live online group activities primarily through its PC and mobile live streaming platforms; Platform C refers to the live streaming platform established by a company that operates a leading online short video community in

## INDUSTRY OVERVIEW

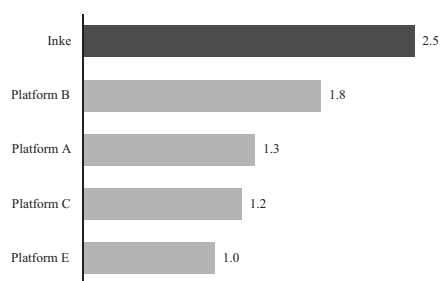
China; Platforms D and F refer to two major game live streaming platforms in China; Platform E refers to a major pan-entertainment live streaming platform in China; and Platform G refers to the live streaming platform established by a company that enables people to enjoy content powered by AI technology.

Inke ranked the second in the mobile live streaming market in China in terms of revenue in 2017, with a market share of 15.3%. In the overall live streaming market in China (i.e., including both PC and mobile live streaming), Inke ranked the fourth in terms of revenue in 2017, with a market share of 10.7%.

Inke is a leading mobile live streaming platform in China, with the largest number of active streamers, the largest number of average monthly active streamers, the second largest number of paying users, and the second largest number of average quarterly paying users in 2017, as compared with other mobile live streaming platforms in China. Inke ranked fifth among mobile live streaming platforms in China in terms of average MAUs and ranked fourth in terms of average MPUs in 2017.

### Number of Average Monthly Active Streamers in 2017

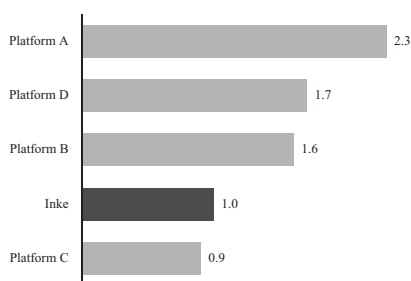
Unit: Million



Source: Frost & Sullivan Report

### Number of Average Monthly Paying Users in 2017

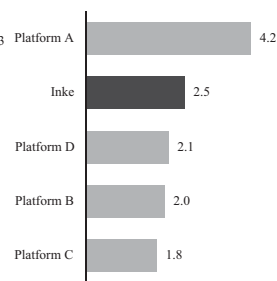
Unit: Million



Source: Frost & Sullivan Report

### Number of Average Quarterly Paying Users in 2017

Unit: Million



Source: Frost & Sullivan Report

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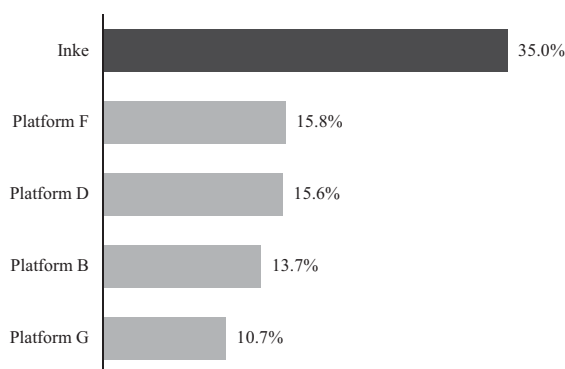
## INDUSTRY OVERVIEW

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In addition, Inke has the highest percentage of users located in tier-1 and tier-2 cities in China, the highest percentage of users with monthly income of more than RMB10,000 and the highest percentage of female users as of December 2017, among all the mobile live streaming platforms in China.

### Percentage of Users with Personal Monthly Income of more than RMB10,000

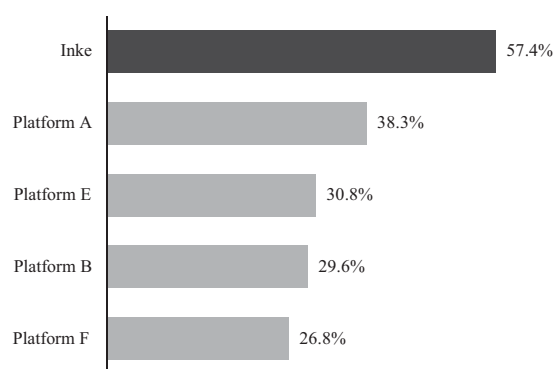
(As of December 2017)



Source: Frost & Sullivan Report

### Percentage of Users in Tier-1 and Tier-2 Cities in China

(As of December 2017)



Source: Frost & Sullivan Report

Inke has an average monthly paying ratio among MAUs of 4.6% in 2017, the highest among all the major mobile live streaming platforms in China, as compared with the industry average of 3.5%. It also has the highest average daily live streaming time on mobile devices in 2017.

According to the Frost & Sullivan Report, entry barriers of the mobile live streaming market mainly include (i) operation barrier, which include attracting and retaining a large user base, and converting active users to paying users; (ii) capital barrier, as it requires a large amount of capital for mobile live streaming platforms to maintain sufficient bandwidth, to acquire users, and to continuously invest in technology development; and (iii) content resource barrier, as the platforms need a large number of streamers to generate diversified high quality content, in order to maintain user loyalty and stickiness. Such barriers are not easy to overcome by new entrants to the market in a short period of time.

According to the Frost & Sullivan Report, the critical factors for mobile live streaming companies' success include (i) innovation capabilities allowing prompt updates of products, features and functions that enhance user experience; (ii) the ability to form strong personal bonding among users, so as to bring more social features to the platform and improve user stickiness and loyalty; (iii) the ability to continuously diversify content offerings, and to develop additional business models that combine the advantages of live streaming and other forms of entertainment or activities; and (iv) analytics-driven operational capabilities bringing deep insights in user behaviors.

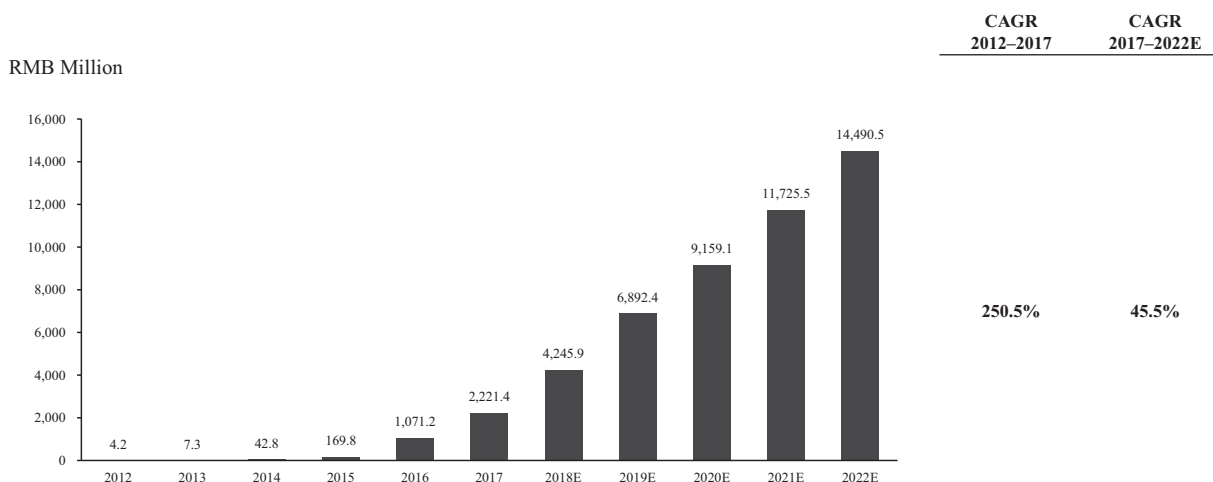
## INDUSTRY OVERVIEW

### MOBILE LIVE STREAMING ADVERTISING MARKET IN CHINA

With the continuous growth of the internet user base as well as the increasing time spent on the internet by Chinese consumers, the advertising market in China has been migrating from traditional media to online media. With the increasing penetration of smartphones, the mobile advertising market has become the most important battlefield for advertisers in recent years. According to the Frost & Sullivan Report, China's online mobile advertising market increased from RMB5.0 billion in 2012 to RMB168.9 billion in 2017, at a CAGR of 102.2%. It is expected that the online mobile advertising market will further increase to RMB589.3 billion in 2022, at a CAGR of 28.4%.

Mobile live streaming platforms provide a powerful media for advertisers to promote their brands and products, thanks to the large number of key opinion leaders on the platforms, and the large user base with high level of attention attracted to such platforms. According to the Frost & Sullivan Report, China's mobile live streaming advertising market reached RMB2.2 billion in 2017 and is expected to further increase to RMB14.5 billion in 2022, at a CAGR of 45.5%.

#### Online Mobile Live Streaming Advertising Market Size (China), 2012-2022E



Source: Frost & Sullivan Report

Currently, advertisements on mobile live streaming platforms mainly include in-streaming advertisements, display advertisements such as launch screen advertisements and banner advertisements, and promotional activities. It is expected that more innovative advertising solutions will be developed, and platforms with the following attributes are likely to succeed in this market: (i) access to high quality user base (young users with strong spending power); (ii) strong data analytics capabilities that enhance user experience and enable precise marketing by advertisers; (iii) high advertising value of streamers on the platform; and (iv) strong innovation capabilities allowing the development of more interesting and engaging forms of advertisements that minimize intrusion to users.



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## REGULATORY OVERVIEW

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### PRC REGULATORY FRAMEWORK

The Group's operations are subject to laws and regulations issued by various PRC government authorities. This section sets forth the most important laws and regulations that govern the Group's current major business activities in China, but as the online social platform and online game industries are still at an early stage of development in China, new laws and regulations may be adopted from time to time to require new licenses and permits in addition to those the Group currently has.

### REGULATIONS RELATING TO THE PROVISION OF INTERNET CONTENT SERVICES

#### Restrictions on Internet Information Services

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "Internet Measures"), which was promulgated by the State Council on September 25, 2000, as amended on January 8, 2011, set out guidelines on the provision of internet information services. The Internet Measures classified internet information services into commercial internet information services and non-commercial internet information services. An operator of commercial internet information services shall obtain a value-added telecommunications business operating license (the "ICP License") from the appropriate telecommunications authorities, and the ICP License is subject to annual inspection within the first quarter of the next year according to the Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on July 3, 2017 and became effective on September 1, 2017.

Furthermore, the content of the internet information is highly regulated in China. According to the Internet Measures, violators may be subject to penalties, including criminal sanctions, for providing internet content that opposes the fundamental principles stated in the PRC Constitution; compromises national security, divulges national secrets, subverts national power or damages national unity; harms national dignity or interest; incites ethnic hatred or racial discrimination or damages inter-ethnic unity; undermines the PRC's religious policy or propagates superstition; disseminates rumors, disturbs social order or disrupts social stability; disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime; insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or is otherwise prohibited by law or administrative regulations.

Internet information services providers are required to monitor their websites. They may not post or disseminate any content that falls within prohibited categories and must stop providing any such content on their websites. The PRC government may order ICP License holders that violate any of the above-mentioned content restrictions to correct those violations and revoke their ICP Licenses under serious conditions.

#### Restrictions on Foreign Investment in Value-Added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "Telecommunications Regulations"), promulgated by the State Council on September 25, 2000, as last amended on February 6, 2016, provide a regulatory framework for telecommunications services providers in China. The

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Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), promulgated by the Ministry of Information Industry of the PRC (the “MII”, which is the predecessor of MIIT) on February 21, 2003, as amended by the MIIT on December 28, 2015, information services provided via fixed network, mobile network and internet are value-added telecommunications services.

Investment activities in China by foreign investors are mainly governed by the Guidance Catalog of Industries for Foreign Investment (revised in 2017) (《外商投資產業指導目錄》(2017年修訂)) (the “Catalog”), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission (the “NDRC”) on June 28, 2017 and became effective on July 28, 2017. The Catalog divides industries into four categories in terms of foreign investment. Those categories are: “encouraged”, “restricted”, “prohibited” and all industries not listed under one of these categories are deemed to be “permitted”. According to the Catalog, the internet information services that the Group currently offers, including value-added telecommunications services (except for e-commerce) and internet cultural businesses (except for music), are under the “restricted” category and “prohibited” category, respectively.

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)), which was promulgated by the State Council on December 11, 2001, as amended on September 10, 2008 and February 6, 2016. The Regulations require the foreign investors to establish Sino-foreign joint ventures in order to provide value-added telecommunications services in China and the foreign investors may acquire up to 50% of the equity interest in the joint venture. The main foreign investor, i.e. the major foreign investor among all the foreign investors investing in a value-added telecommunications enterprise in China, shall demonstrate a good track record and experience in operating value-added telecommunications business. Foreign investors that meet these requirements shall obtain approvals from the MIIT and the MOFCOM, or their local counterparts, which retain considerable discretion in granting approvals, prior to the commencement of the provision of value-added telecommunications business in China.

Pursuant to the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “MII Notice”), issued by MII in July 2006, domestic value-added telecommunications enterprises were prohibited to rent, transfer or sell a value-added telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in China. In addition, under the MII Notice, the internet domain names and registered trademarks used by a foreign-invested value-added telecommunications services operator shall be legally owned by that operator (or its shareholders).

### **Restrictions on Commercial Performance Agency Services**

According to the Regulations for the Administration of Commercial Performances (Revision 2016) (《營業性演出管理條例》(2016修訂)) promulgated by State Council on February 6, 2016, individual performers

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engaging in commercial performance as a profession (hereinafter referred to as individual performers) and individual performance brokers engaging in such activities as intermediary and agency for commercial performances as a business (hereinafter referred to as individual performance brokers) shall obtain a business license from the industry and commerce administrative department.

Within 20 days upon obtaining a business license, an individual performer or individual performance broker shall go through the archival filing procedures with the culture administrative department of the local people's government at the county level.

### REGULATIONS RELATING TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry (《關於非公有資本進入文化產業的若干決定》). On July 6, 2005, five PRC regulatory agencies, namely, the MOC, the SAPPRFT, the General Administration of Press and Publication, the CSRC and the Ministry of Commerce, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》). According to these regulations, non-state-owned capital and foreign investors are generally not allowed to conduct the business of transmitting audio-visual programs via information network.

Internet audio-visual program services are included in internet culture operation. The Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》(2011年修訂)) (the "Internet Culture Provisions") promulgated by the MOC on February 17, 2011, provide that internet entities are classified into operational internet cultural entities and non-operational internet cultural entities. Under the Internet Culture Provisions, internet culture activities include: (1) production, reproduction, import, release or broadcast of internet culture products (such as online music, online game, online performance and cultural products by certain technical means and copied to the internet for spreading); (2) the online dissemination activities of publishing culture products on internet; and (3) the exhibitions and competitions and other similar activities concerning internet culture products. Operational internet cultural entities shall file application for establishment to the competent culture administration authorities for approval and obtain an Online Culture Operating License. Internet cultural entities shall mark the serial number of the Online Culture Operating License at an obvious position on the home page of their websites. If any entity engages in operational internet culture activities without approval, the cultural administration authorities or cultural market enforcement authorities of relevant government shall make investigation and punishment in accordance with the Measures for Punishing, and Banning Business Operation without License (《無照經營查處取締管理辦法》).

According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》) (the "**Internet Audio-Visual Program Regulations**"), promulgated by the SARFT and the MIIT on December 20, 2007, as amended on August 28, 2015, an internet audio-visual program service provider shall obtain the Permit for Spreading Audio-Visual Programs via Information Network (the "Audio-Visual Permit") issued by the SAPPRFT or complete certain registration procedures with SAPPRFT in order to engage in internet audio-visual program service. Internet audio-visual program service refers to activities of making, redacting and integrating audio-visual programs, providing them to the general public via internet, and providing service for other people to upload and spread audio-visual programs. Where an internet audio-visual program

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service provider changes its registered capital, shareholder or equity structure, has any big moves in assets, is listed, or has other important fund-raising acts, or if its business items after such changes go beyond those indicated in its Audios-Visual Permit, it shall handle examination and approval formalities in accordance with the Internet Audio-Visual Program Regulations. Where an internet audio-visual program service entity provider legally changes its business place or legal representative, or an internet information service provider legally changes its website address or name, it shall file the change with the competent department of radio, film and television and the competent department of telecommunication at or above the provincial level for archival purpose; if the change involves industrial and commercial registration, it shall complete the registration modification formalities at the administrative department for industry and commerce in accordance with the law.

According to Official Answers to Press Questions Published Regarding the Internet Audio-Visual Program Regulations (《就<互聯網視聽節目服務管理規定>答記者問》) on the SARFT's website dated February 3, 2008, officials from the SARFT and the MIIT clarified that online audio-visual service providers that already had been in operation lawfully prior to the promulgation of the Internet Audio-Visual Program Regulations may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to internet audio-visual program service providers established after the issuance of Internet Audio-Visual Program Regulations. These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), issued by SARFT on May 21, 2008 and amended on October 26, 2015.

Further, on March 30, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs (《關於加強互聯網視聽節目內容管理的通知》), which reiterates the pre-approval requirements for the internet audio-visual programs, including through mobile networks (if applicable), and prohibits certain types of internet audio-visual programs containing violence, pornography gambling, terrorism, superstition or other similarly prohibited elements.

In order to meet the development needs of the internet audio-visual program service industry, on March 10, 2017, the SAPPRT promulgated Public Notice of the State Administration of Press, Publication, Radio, Film and Television on Adjusting the Classified Catalog of Internet Audiovisual Program Services (for Trial Implementation) (《國家新聞出版廣電總局關於調整<互聯網視聽節目服務業務分類目錄(試行)>的通告》), which clarified the scope of internet audio-visual programs services. According to the Categories, there are four categories of internet audio-visual program services which are further divided into seventeen sub-categories.

According to the Notice of the MOC on Issuing the Measures for the Administration of Cyber Performance Business Operations (《文化部關於印發<網絡表演經營活動管理辦法>的通知》), issued by the MOC on December 2, 2016, and became effective on January 1, 2017, a cyber-performance business entity engaging in cyber performance business operations shall, in accordance with the Internet Culture Provisions (《互聯網文化管理暫行規定》), apply to the cultural administrative department at the provincial level for an online culture operating license, and the business scope in the license shall specify that cyber performance is included. A foreign investor is prohibited from investing in an entity holding an online culture operating license. Also, a foreign investor is prohibited from investing in businesses that carry out and operate talent agency and streamer management services through live streaming platform(s) as these businesses are regarded as businesses subject to

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foreign investment prohibition by virtue of the need to obtain an online culture operating license for the platform business. A cyber performance business entity shall indicate the number of its Permit for Cyber Culture Business Operations in an eye-catching position on the homepage of its website.

### REGULATIONS RELATING TO ONLINE LIVE STREAMING SERVICES

On November 4, 2016, the CAC issued the Administrative Regulations on Online Live Streaming Services (《互聯網直播服務管理規定》) (the “Online Live Streaming Regulations”) which came into effect on December 1, 2016. According to the Online Live Streaming Regulations, when providing internet news information services, both online live streaming service providers and online live streaming publishers must obtain the qualification for internet news information service in accordance with law and may only carry out internet news information services within the permissible scope of their licenses. All online live streaming service providers (whether or not providing internet news information) shall take various measures during operation of live streaming services, including but not limited to:

- (1) Establish platforms for reviewing live streaming content, conducting classification and grading management according to the online live streaming content categories, user scale and others, add tags to graphics, video, audio or broadcast tag information for platforms;
- (2) Exercise oversight over internet news information live streaming and its interactive content prior to publication on the platform;
- (3) Conduct verification of online live streaming users based on valid identification information (e.g. authentic mobile phone numbers) and validate the registration of online live streaming publishers based on their identification documents (such as identity documents, business licenses and organization code certificates);
- (4) Examine and verify the authenticity of the identification information of online live streaming service publishers, store and file such identification information for records according to classification with the internet information offices at the level of provinces, autonomous regions, or municipalities directly under the Central Government where they are located and provide such information to relevant law enforcement departments upon their request in accordance with laws;
- (5) Enter into a service agreement with the users of online live streaming services of which the essential clauses shall be under guidance of internet information offices at the level of provinces, autonomous regions, or municipalities directly under the Central Government to clarify the rights and obligations of the parties and require them to comply with the laws, regulations and platform conventions; and
- (6) Establish a credit rating management system for online live streaming publishers, establish a blacklist management system, provide management and services according to such credit rating, prohibit re-registration of accounts by online live streaming service users on the black list and promptly report such users to relevant internet information offices.

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According to the Online Live Streaming Regulations, online live streaming service providers and online live streaming publishers that provide internet news information services without licenses, or exceeding the scope of their licenses, are subject to punishment by the CAC and the internet information offices at the level of provinces, autonomous regions, or municipalities directly under the Central Government in accordance with the Regulations for the Administration of Internet News Information Services (《互聯網新聞信息服務管理規定》) which may include an order to cease such services, a fine of RMB10,000 to RMB30,000. Other violations of the Online Live Streaming Regulations are subject to punishment by the national and local internet information offices in accordance with the PRC laws; if such violations constitute crime, criminal liability shall be investigated in accordance with relevant PRC laws.

### REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications (the “APPs”) and the internet application store (the “APP Store”) are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程式信息服務管理規定》) (the “APP Provisions”), which were promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016. The APP Provisions set forth the relevant requirements on the APP information service providers and the APP Store service providers. The CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide and local APP information respectively.

The APP information service providers shall satisfy relevant qualifications required by laws and regulations, carry out the information security management responsibilities strictly and fulfill their obligations in various aspects relating to real-name system, protection of users’ information, examination and management of information content, as follows: (1) shall authenticate the identity information of the registered users including their mobile telephone number and other identity information under the principle that mandatory real name registration at the back-office end, and voluntary real name display at the front-office end; (2) shall establish and perfect the mechanism for the protection of users’ information, and follow the principle of legality, rightfulness and necessity, indicate expressly the purpose, method and scope of collection and use and obtain the consent of users while collecting and using users’ personal information; (3) shall establish and perfect the mechanism for the examination and management of information content, and in terms of any information content released that violates laws or regulations, take such measures as warning, restricting the functions, suspending the update and closing the accounts as the case may be, keep relevant records and report the same to relevant competent authorities; (4) shall safeguard users’ right to know and to make choices when users are installing or using such applications, and shall neither start such functions as collecting the information of users’ positions, accessing users’ contacts, turning on the camera and recording the sound, or any other function irrelevant to the services, nor forcefully install any other irrelevant applications without prior consent or users when noticed expressly; (5) shall respect and protect the intellectual properties and shall neither produce nor release any application that infringes others’ intellectual properties; and (6) shall record the users’ log information and keep the same for 60 days.

The APP Store service providers shall file a report with the related local offices of cyberspace administration within 30 days after such services have been rolled out online for operation, and they are responsible for the management over the application providers as follows: (1) shall verify the authenticity,



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security and legality of application providers, establish the credit management system and file the record according to the category with relevant authorities; (2) shall urge the application providers to protect users' information, provide a full description on the way APPs use to obtain and to use users' information and present the same to the users; (3) shall urge the application providers to release legal information contents, establish and perfect the security review mechanism, and designate certain number of professional staff in line with the service scale; and (4) shall urge the application providers to release legal applications and respect and protect the intellectual property rights of such application providers. For any application provider who violates any regulatory requirements, the APP Store service providers shall take such measures as warning, suspending the release or withdrawing the applications as the case may be, keep records and report such violation to the relevant competent authorities. In addition, the APP Store service providers shall enter into service agreements with the APP information service providers, formulating the rights and obligations of both parties.

### REGULATIONS RELATING TO ONLINE GAME OPERATION

The Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the 'Three Provisions' jointly promulgated by the MOC, the SARFT and the GAPP (《關於印發〈中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋〉的通知》), which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) and became effective on September 7, 2009, provides that the GAPPRFT is responsible for the examination and approval of online games to be uploaded on the internet and that, after being uploaded, online games are subject to the management by the MOC.

The Notice Regarding the Consistent Implementation of the "Regulation on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (《關於貫徹落實國務院〈“三定”規定〉和中央編辦有關解釋, 進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) (the "GAPP Notice"), promulgated by the GAPP, together with the National Copyright Administration and the Office of the National Working Group for Crackdown on Pornographic and Illegal Publications, on September 28, 2009, provides, among other things, that foreign investors are prohibited from investing or engaging in online game operations in China through establishing wholly-owned subsidiaries, or equity joint ventures or cooperative joint ventures with Chinese partners, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other forms of joint venture, establishing contractual agreements or providing technical support. Material violation of the GAPP Notice will result in suspension or revocation of relevant licenses and registrations.

In addition, according to the Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》), before publishing an online game, an online publishing service provider shall file an application with the competent administrative department for GAPPRFT of the province, autonomous region or municipality in the place where it is located and the application, after being approved at the provincial level, shall be submitted to the GAPPRFT for final approval.



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Online game operations are also categorized as internet culture operation and the Internet Culture Provisions shall govern online game operations as well. In addition, the Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》) (the “Online Game Measures”), issued by the MOC and took effect on August 1, 2010, regulate a broad range of activities related to the online game business, including the development and production of online games, the operation of online games, the issuance of virtual currencies used for online games, and virtual currency trading services. The Online Game Measures provide that any entity that is engaged in online game operations must obtain an online culture operating license, and require the content of an imported online game to be examined and approved by the MOC prior to the launch of the game and the content of a domestic online game must be filed within 30 days of its launch with the MOC. The Online Game Measures also request online game operators to protect the interests of online players and specify certain terms that must be included in the service agreements between online game operators and the players of their online games. The Notice of the MOC on the Implementation of the Interim Measure for the Administration of Online Games (《文化部關於貫徹實施<網絡遊戲管理暫行辦法>的通知》) issued by the MOC and which took effect in August 2010 specifies entities regulated by the Online Game Measures and procedures related to the review of the MOC of the content of online games, emphasizes the importance of protecting minors playing online games and requests online game operators to promote real-name registration by their players. The Notice on the Reinforcement of the Administration of Internet Cafés and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the “Internet Cafés Notice”) jointly issued by the MOC, the PBOC and other governmental authorities on February 15, 2007 with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system, places strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Internet Cafés Notice further provides that virtual currency should only be used to purchase virtual items and prohibits any resale of virtual currency.

On May 24, 2016, the SAPPRFT promulgated the Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》), which became effective on July 1, 2016. The Notice provides that game publishing service entities shall be responsible for examining the contents of their games and applying for game publication numbers. To apply for publication of domestically developed mobile games in the leisure and puzzle category that are not related to political, military, national or religious topics or contents and have no or simple story lines, entities shall submit the required documents to provincial publication administrative departments at least 20 business days prior to the expected date of online publication (public beta). Entities applying for publication of domestically-developed mobile games that are not included in abovementioned category shall go through stricter procedures, including submitting manager accounts for content review and testing accounts for game anti-indulgence system. Game publishing service entities must set up a specific page to display the information approved by the SAPPRFT, including the copyright owner of the game, publishing service entity, approval number, publication number and others, and shall take charge of examining and recording daily updates of the game. Concerning those mobile games (including pre-installed mobile games) that have been published and operated online before the implementation of this Notice, other requirements apply to maintain the publication and operation of such games online, relevant approval procedures would have to be implemented by the game publishing service entities and enterprises in coordination with the provincial publication administrative departments before December 31, 2016 as required by this Notice. Otherwise, these mobile games shall cease to be published or operated online. On December 1, 2016, the MOC

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promulgated the Circular of the MOC on Regulating the Operation of Online Games and Strengthening the Interim and Ex Post Supervision (《文化部關於規範網絡遊戲運營加強事中事後監管工作的通知》), which became effective on May 1, 2017. The Circular sets requirements in relation to the following aspects of online games: (i) clarifying the scope of online game operation; (ii) regulating services for issuance of virtual props of online games; (iii) strengthening the protection of the rights and interests of online game users; (iv) strengthening the interim and ex post supervision of online game operation; and (v) seriously investigating and punishing illegal operating activities.

### REGULATIONS RELATING TO INTELLECTUAL PROPERTY

#### The Copyright Law

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

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

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

(i) any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio/visual products and (b) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;

(ii) any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other internet information service providers, is not required to assume the

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indemnification liabilities if (a) it has not altered any of the works, performances or audio/visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performances and audio/visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;

(iii) any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performances and audio/visual products that are provided by the users; (c) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio/visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation;

(iv) an internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

The Circular on Strengthening the Copyright Administration of Internet Literary Works (《關於加強網絡文學作品版權管理的通知》) promulgated by National Copyright Administration (the “NCA”) on November 4, 2016 and effective from November 4, 2016 provides that internet service providers who provide literary works through information networks and render relevant network services shall strengthen the copyright supervision and administration, establish a sound infringing works handling mechanism, and fulfill the obligation to protect the copyright of internet literary works according to the law, shall fulfill the obligation to review the copyright of literary works disseminated and exercise their duty of care according to the law. Except as otherwise provided by laws and regulations, without the permission of right holders, the dissemination of their literary works shall be prohibited and shall establish a copyright complaint mechanism, actively accept complaints from right holders, and resolve the legitimate demands of right holders in a timely manner according to the law.

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

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The Notice on Regulating Copyright Order of Internet Reproduction (《關於規範網絡轉載版權秩序的通知》) issued by the NCA in 2015 includes the following four major points: (i) clarify certain important issues related to internet copyrights in existing laws and regulations, including the definition of news, clarify statutory licenses that are not applicable to internet copyrights and prohibit the distortion of title and work intent; (ii) guide the press and media to further improve the internal management of copyrights, especially requesting the press to clarify the copyright sources of their content; (iii) encourage the press and internet media to actively carry out copyright cooperation; and (iv) ask the copyright administrations at all levels to strictly implement copyright supervision.

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

Provisions of the Supreme People’s Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播民事糾紛案件適用法律若干問題的規定》) provide that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

The Notice on Launching “Jian Wang 2016” Special Actions Against Internet Infringement and Privacy (《關於開展打擊網絡侵權盜版“劍網2016”專項行動的通知》), jointly issued by NCA, MIIT, the Ministry of Public Security and CAC in 2016 includes the following: the punishment of (i) the unauthorized distribution of online literature, news, and films, and protecting the legitimate rights of the copyright owners, and (ii) the distribution of pirated content through mobile apps, e-commerce platforms, and online advertising platforms, in order to maintain the order of the internet copyright environment; and the copyright order of online music, online cloud storage space, and online distribution of news will be further standardized to create a clean internet environment for copyright.

### **The Trademark Law**

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

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

### **Domain Names**

The MIIT promulgated the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) (the “Domain Name Measures”) on August 24, 2017, which became effective on November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a “first apply, first register” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

## **REGULATIONS RELATING TO FOREIGN INVESTMENT**

### **General administration of foreign exchange**

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and last amended on August 5, 2008 and various regulations issued by the State Administration of Foreign Exchange (the “SAFE”) and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under



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the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the State.

### **Regulations relating to offshore investment**

On October 21, 2005, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which became effective on November 1, 2005 (the “Circular No. 75”). Circular No. 75 requires PRC domestic resident natural persons to register or file with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside China for the purpose of capital financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicle without any round-trip investment being made. On July 4, 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “Circular No. 37”), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Circular No. 37 supersedes the Circular No. 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular No. 37, in the event of any change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident shall only register the SPV directly established or controlled (first level)”. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under the Circular No.37, which became effective on July 4, 2014 as an attachment to Circular No. 37. Under the relevant rules, failure to comply with the registration procedures set forth in Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

### **REGULATIONS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE**

Under the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) promulgated in 1986 and last amended in 2016, and the Detailed Implementing Rules for the Wholly Foreign-Owned Enterprise Law of the People’s Republic China (《中華人民共和國外資企業法實施細則》), which was promulgated in 1990 and was last amended on February 19, 2014, an application for establishing a wholly foreign-owned enterprise shall be subject to examination and approval by the Ministry of

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Foreign Trade and Economic Cooperation of the PRC (“MOFTEC”, currently known as the MOFCOM) before the approval certificate is issued. Within 90 days of the date of receipt of an application, the examination and approval authority shall decide whether or not to grant the approval.

After application for the establishment of a wholly foreign-owned enterprise is approved by the examination and approval authority, the foreign investors shall, within 30 days of the date of receipt of the approval certificate, submit registration to, and collect the business license from the administrative authority for industry and commerce.

On September 3, 2016, the Decision of the Standing Committee of the National People’s Congress on Revising Four Laws including the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) (the “Decision on Revision of Four Laws”) was promulgated and became effective on October 1, 2016. On October 8, 2016, the MOFCOM published the Interim Measures for the Administration of Establishment and Change Filings of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “Filings Measures”) and became effective on the same date. The Decision on Revision of Four Laws and the Filings Measures revised relevant administrative approval provisions of the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), the Law of the People’s Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People’s Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the People’s Republic of China on the Protection of the Investments of Taiwan Compatriots (《中華人民共和國台灣同胞投資保護法》) and the relevant formality regime for the incorporation and change of foreign-invested enterprises, whereby if the incorporation or change of foreign-invested enterprises does not involve special access administrative measures prescribed by the PRC government (the “Negative List”), the examination and approval process is now being replaced by the record-filing administration process.

According to the Filings Measures, where the incorporation of foreign-invested enterprises do not fall within the Negative List, such enterprises shall go through the record-filing procedures after obtaining the prior approval of the enterprise name and prior to the issuance of a business license, or within 30 days after the issuance of a business license. Within the record-filing scope of the Filings Measures, in the case of a change of basic information of the foreign-invested enterprises or their investors, a change of equity (shares) or cooperation interest of the foreign-invested enterprises, merger, division or dissolution, mortgage or transfer of foreign-invested enterprises’ property or rights and interests to others and other matters, the foreign-invested enterprises shall file the relevant documents online within 30 days upon occurrence of such changes via the comprehensive administrative system. On October 8, 2016, the announcement of the NDRC and the MOFCOM [2016] No. 22 (《中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告2016年第22號》) was published and specified that the Negative List shall be in line with the Catalog. On July 30, 2017, the MOFCOM amended the Filings Measures, which took effective on the same date. According to the amended Filings Measures, a record-filing administration process shall apply in the event that foreign investors (i) merge and acquire non-foreign-invested enterprises within PRC, and (ii) undertake strategic investment into domestic listed companies, provided that it does not involve special access administrative measures or merge and acquisition with related party.



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## REGULATORY OVERVIEW

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Since the current business operations of Inke PRC, as the foreign-invested enterprises within the Group, does not fall within the scope of the Negative List, the Filings Measures shall apply and major changes of Yingke Zhishi is subject to record-filing procedure under the Filings Measures. Based on the currently effective PRC laws and current business operation of the Group, our PRC Legal Advisor is of the view that the aforementioned amendments will not have material adverse effect on the Group's business operations.

### REGULATIONS RELATING TO TAX

#### Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) which was amended on February 24, 2017, and on December 6, 2007, the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the "EIT Law"). The EIT Law came into effect on January 1, 2008. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China. The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知》) promulgated by the SAT on April 22, 2009 and amended on January 29, 2014 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China.

The EIT Law provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises", and gains derived by such investors, which (a) do not have an establishment or place of business in China or (b) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "Double Tax Avoidance Arrangement"), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority

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## REGULATORY OVERVIEW

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to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “Notice No. 81”) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》), which was issued on October 27, 2009 by the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《關於認定稅收協定中“受益所有人”的公告》), which was issued on June 29, 2012 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%.

Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), effected on January 1, 2008 and amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the “website for the administration of accreditation of high-tech enterprises”. Besides, when any high-tech enterprise has changed its name or has undergone any major change concerning the accreditation conditions (such as a division, merger, reorganization or change of business), it shall report the change to the accreditation institution within three months upon occurrence of the change. If the high-tech enterprise is qualified upon review by the accreditation institution, it continues to have the qualification as a high-tech enterprise, and in case of change in the name, a new accreditation certificate will be issued with the number and term of validity remaining the same as the previous certificate; otherwise, the qualification as a high-tech enterprise shall be canceled as of the year of change in the name or any other condition.

According to the Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses (《財政部、國家稅務總局、科技部關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by Ministry of Finance, State Administration of Taxation, Ministry of Science & Technology on November 2, 2015, and effective on January 1, 2016. R&D expenses allowed to be deducted on a weighted basis means where the R&D expenses actually incurred by an enterprise when it conducts any R&D activity have not been included in the current loss and profit as intangible assets, another 50% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in this year in addition to the deduction as prescribed to the extent of the amount actually incurred. Where any intangible assets are formed, 150% of the costs of the intangible assets shall be amortized before tax payment. The specific scope of R&D expenses shall include: (1) Personnel labor charges, (2) Directly invested expenses, (3) Depreciation expenses, (4) Amortization of intangible assets, (5) Expenses for designs of new products, expenses for developing new technical procedures, clinical trial expenses for the research and manufacture of new drugs, and expenses for

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## REGULATORY OVERVIEW

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on-the-spot experiments for exploration and development technologies, (6) Other relevant expenses, (7) Other expenses as prescribed by the Ministry of Finance and the State Administration of Taxation.

### Value-added Tax and Business Tax

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009 and subsequently amended on February 6, 2016, last amended on November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) were promulgated by the Ministry of Finance and the SAT on December 15, 2008 which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “VAT Law”). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%. Pursuant to The Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on January 1, 1994 and were subsequently amended on February 19, 1997 and November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within China must pay a business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation. On January 1, 2012, the State Council officially launched a pilot VAT reform program (the “Pilot Program”), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of the business tax. The Pilot Program initially applied only to transportation industry and “modern service industries” (the “Pilot Industries”) in Shanghai. The research and development and technical services, information technology services included in the Pilot Industries are subject to the VAT tax rate of 6%. Subsequently, the Pilot Program has been expanded to ten additional regions, including, among others, Beijing and Guangdong province, and nationwide to the designated pilot industry. According to the Notice Regarding Including the Telecommunications Sector under the Pilot Program of Replacing Business Tax with Value-Added Tax (《關於將電信業納入營業稅改徵增值稅試點的通知》), which was promulgated on April 29, 2014 and became effective on June 1, 2014, the entities and individuals providing telecommunications services within the territory of PRC shall pay VAT instead of business tax. The Trial Implementing Measures of the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》), which was promulgated on March 23, 2016, became effective on May 1, 2016, amended on July 11, 2017, and became effective retroactively as of July 1, 2017, and superseded the Notice Regarding the Including Telecommunications Sector under the Pilot Program of Replacing Business Tax with Value-Added Tax on the same date set out that it collected value-added tax in lieu of business tax in all regions and industries.

## REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WARFARE

### The Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “Labor Contract Law”), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating

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## REGULATORY OVERVIEW

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employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner. In addition, according to the Labor Contract Law: (i) employers must pay laborers double income in circumstances where within one year an employer fails to enter into an employment contract that is more than a month but less than a year from the date of employment and if such period exceeds one year, the parties are deemed to have entered into a labor contract with an “unfixed term”; (ii) employees who fulfill certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labor contract with them with an unfixed term; (iii) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (iv) an upper limit not exceeding the cost of training supplied to the employee has been set as the amount of compensation an employer may seek for an employee’s breach of the provisions concerning term of services in the labor contract; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) if an employer pays for an employee professional training, the labor contract may specify a term of service. When the employee breach term of service, the amount of compensation may not exceed the training expenses; (vii) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of more than RMB500 but less than RMB2,000 per employee; and (viii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within ascertain period by the labor administration authorities. According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and effective on January 1, 1995 and amended on August 27, 2009, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China.

Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

On December 28, 2012 the Labor Contract Law (《勞動合同法》) was amended to impose more stringent requirements on labor dispatch which became effective on July 1, 2013. Pursuant to the amended Labor Contract Law, (i) it is strongly emphasized that dispatched contract workers shall be entitled to equal pay for equal work as an employee of an employer; (ii) dispatched contract workers may only be engaged to perform temporary, auxiliary or substitute works; and (iii) an employer shall strictly control the number of dispatched contract workers so that they do not exceed certain percentage of total number of employees and the specific percentage shall be prescribed by the Ministry of Human Resources and Social Security. Under the law, “temporary work” means a position with a term of less than six (6) months; “auxiliary work” means a non-core business position that provides services for the core business of the employer; and “substitute work” means a position that can be temporarily replaced with a dispatched contract worker for the period that a regular employee is away from work for vacation, study or for other reasons. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which

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## REGULATORY OVERVIEW

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became effective on March 1, 2014, (i) the number of dispatched contract workers hired by an employer should not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers); and (ii) in the case that the number of dispatched contract workers exceeds 10% of the total number of its employees at the time when the Interim Provisions on Labor Dispatch became effective, the employer must formulate a plan to reduce the number of its dispatched contract workers to comply with the aforesaid cap requirement prior to March 1, 2016. In addition, such plan shall be filed with the local administrative authority of human resources and social security. Nevertheless, the Interim Provisions on Labor Dispatch do not invalidate the labor contracts and dispatch agreements entered into prior to December 28, 2012 and such labor contracts and dispatch agreements may continue to be performed until their respective dates of expiration. The employer may also not hire any new dispatched contract worker before the number of its dispatched contract workers is reduced to below 10% of the total number of its employees. In case of violation, the labor administrative department shall order rectification within a specified period of time; if the situation is not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person shall be imposed, and the staffing company's business license shall be revoked. If a placed worker suffers any harm or loss caused by the receiving entity, the staffing company and the receiving entity shall be jointly and severally liable for damages.

### **Social Insurance and Housing Fund**

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

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OUR CORPORATE HISTORY

Our Group's history can be traced back to early 2015, when our principal operating entity, Beijing Meelive, was established in March 2015, with our core application, the Inke App, officially launched in May 2015. We have since then continuously enriched the functions of our core application and expanded the scope of features, functionalities, tools and services provided to the streamers and viewers on our platform.

Mr. Feng, Ms. Liao and Mr. Hou are the Founders of our Group and contributed to the business operations and development of Beijing Meelive using their own financial resources. Mr. Feng, together with the other two Founders, Ms. Liao and Mr. Hou served as the core management team of Beijing Meelive, and are responsible for formulating the business model as well as acquiring human and other required resources since the inception of Beijing Meelive. Ms. Liao and Mr. Hou subsequently formalized their investment in Beijing Meelive by subscribing for the registered capital in Beijing Meelive. Prior to founding our business, each of the Founders has had extensive experience in working in or collaborating with internet-related industries in China.

In September 2015, Duomi Online, our Angel Investor, decided to invest in Beijing Meelive. Subsequently, during the period from November 2015 to April 2016, Beijing Meelive further attracted the Series A Investors to invest in Beijing Meelive by way of additional contribution to the registered capital of Beijing Meelive. In addition, in September 2016, we raised another round of equity financing from the Series B Investors by way of additional contribution to the registered capital of Beijing Meelive. We raised a total of approximately RMB421.5 million from our Investors.

Moreover, in June 2016, certain of our key management members (including, among others, our Founders) and employees subscribed for the registered capital of Beijing Meelive through the Employees Shareholding Platforms.

As a result of the foregoing and as of the date of this prospectus, the Founders hold a controlling interest of approximately 30.32% of the total registered share capital of Beijing Meelive. The Employees Shareholding Platforms, the Angel Investor, the Series A Investors, the Series B Investors and the other remaining Investors hold approximately 17.92%, 14.59%, 25.91%, 9.26% and 1.99%, respectively.

For further details about the shareholding structure of Beijing Meelive, please refer to "Information on Members of our Group — Beijing Meelive" below. Please also refer to "Financial Investments" below for further details of the investments in Beijing Meelive by the Investors.

During the Track Record Period, Beijing Meelive has also established and acquired several major subsidiaries in China since its establishment. For further details of these subsidiaries, please refer to "— Information on Members of Our Group — Subsidiaries of Beijing Meelive" below.

Our Company and Inke BVI was incorporated on November 24, 2017 and November 30, 2017, respectively. In preparation for the Listing, we also incorporated Inke HK and Inke PRC on December 19, 2017 and February 14, 2018, respectively. In February 2018, Inke PRC has entered into the Contractual Arrangements

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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with Beijing Meelive and its Registered Shareholders as a result of which Inke PRC controls the operation and enjoys all the economic benefits of Beijing Meelive. For further details of the Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in this prospectus. In addition, in February 2018, to align the interest of the shareholders of Beijing Meelive with that of our Company, we allotted new Shares to each of the offshore holding vehicles of each of our Founders, the Employees Shareholding Platforms and our Investors in proportion to their respective shareholding interest in Beijing Meelive. For further details about the corporate structure of our Company, please refer to “— Corporate and Shareholding Structure” below.

### SAFE Circular 37

As disclosed in the section headed “Regulatory Overview — Regulations relating to offshore investment” in this prospectus, the SAFE Circular 37, which replaced the former SAFE Circular 75, requires PRC residents to register with local branches of SAFE with regard to their establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to, among others, the special purpose vehicle, the domestic individual resident shareholder, operating period, capital and merger or division events. Our PRC Legal Advisor has confirmed that each of the Founders, Mr. Jiang Gupeng (our Chief Strategy Officer), the other beneficial owners of the Employees Shareholding Platforms, and the ultimate owner being a PRC national of each of the relevant offshore holding vehicles of each of our Investors, namely Vivid Sparks Global Limited, Integrity Global Holdings Limited, Shunya Global Holdings Limited, Light Alliance Holdings Limited and HANHE INVEST (HK) LIMITED has registered at SAFE in respect of their investment in our Group and as a result of the Reorganization of our Group in accordance with SAFE Circular 37 on February 13, 2018.

### OUR BUSINESS AND CORPORATE DEVELOPMENT MILESTONES

The following table illustrates the key milestones of our business development since our inception:

May 2015	<ul style="list-style-type: none"><li>We officially launched the Inke App, and started to implement our Instant Watch technologies</li></ul>
July 2015	<ul style="list-style-type: none"><li>Launched the Real-time Beautification function and the Instant Cash Withdrawal through WeChat function</li></ul>
November 2015	<ul style="list-style-type: none"><li>Our total registered users reached 1 million</li></ul>
January 2016	<ul style="list-style-type: none"><li>Our total registered and monthly active users reached 10 million, total streamers on our platform reached 2 million, our monthly paying users reached 1 million, and our accumulated gross billings since inception reached RMB100 million</li></ul>
April 2016	<ul style="list-style-type: none"><li>Our monthly active users reached 20 million, monthly paying users reached 2 million, and our accumulated gross billings since inception reached RMB1 billion</li></ul>



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- May 2016 • We launched the Tri-party Live Chat function, and our monthly paying users reached 3 million
- August 2016 • Our total registered users reached 100 million
- October 2016 • Our monthly active users reached 30 million
- December 2016 • Total streamers on our platform reached 30 million
- January 2017 • Our total registered users reached 150 million, and our accumulated gross billings since inception reached RMB5 billion
- July 2017 • We launched the multi-party streaming room feature
- September 2017 • We launched the PK function
- October 2017 • We renovated the Customized Recommendation feature
- December 2017 • Our total registered users reached 194.5 million
- March 2018 • Our accumulated gross billings since inception reached RMB10 billion

The following table highlights the key milestones in the corporate development of our Group since inception:

- March 2015 • Our first PRC operating entity, Beijing Meelive, was established
- Mr. Feng, one of our Founders, subscribed for the initial registered capital in Beijing Meelive
- September 2015 • Ms. Liao and Mr. Hou, the other two Founders, subscribed for additional registered capital in Beijing Meelive
- December 2015 • The investment by the Angel Investor into Beijing Meelive was completed
- April 2016 • The investment by all Series A Investors into Beijing Meelive was completed
- June 2016 • The Employees Shareholding Platforms subscribed for the registered capital of Beijing Meelive
- July 2017 • The investment by the Series B Investors into Beijing Meelive was completed

For further details on our corporate history and shareholding changes of the members of our Group since inception, please refer to the section headed “— Information on Members of our Group” below.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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The corporate and shareholding structure of our Company and our subsidiaries before implementation of the Reorganization is set out on page 120 below.

### REORGANIZATION

Our Company was incorporated in the Cayman Islands on November 24, 2017, with Inke BVI being incorporated in British Virgin Islands on November 30, 2017 as a direct wholly-owned subsidiary of our Company. In anticipation of our Listing, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group. The Reorganization involved the following steps:

December 2017                      Inke HK was incorporated in Hong Kong on December 19, 2017 as a direct wholly-owned subsidiary of Inke BVI.

February 2018                      Inke PRC was established in China on February 14, 2018 as a wholly-owned subsidiary of Inke HK. Inke PRC entered into the Contractual Arrangements with Beijing Meelive and the Registered Shareholders to control the operations and enjoy all the economic benefits of Beijing Meelive, through the Contractual Arrangements. Please refer to the disclosures in the section headed “Contractual Arrangements” in the prospectus for the details of the Contractual Arrangements.

To align the interest of the shareholders of Beijing Meelive with that of our Company, we allotted new Shares to each of the offshore holding vehicles of each of our Founders, the Employees Shareholding Platforms and our Investors in proportion to their respective shareholding interest in Beijing Meelive. For further details about the corporate structure of our Company, please refer to “— Corporate and Shareholding Structure” below.

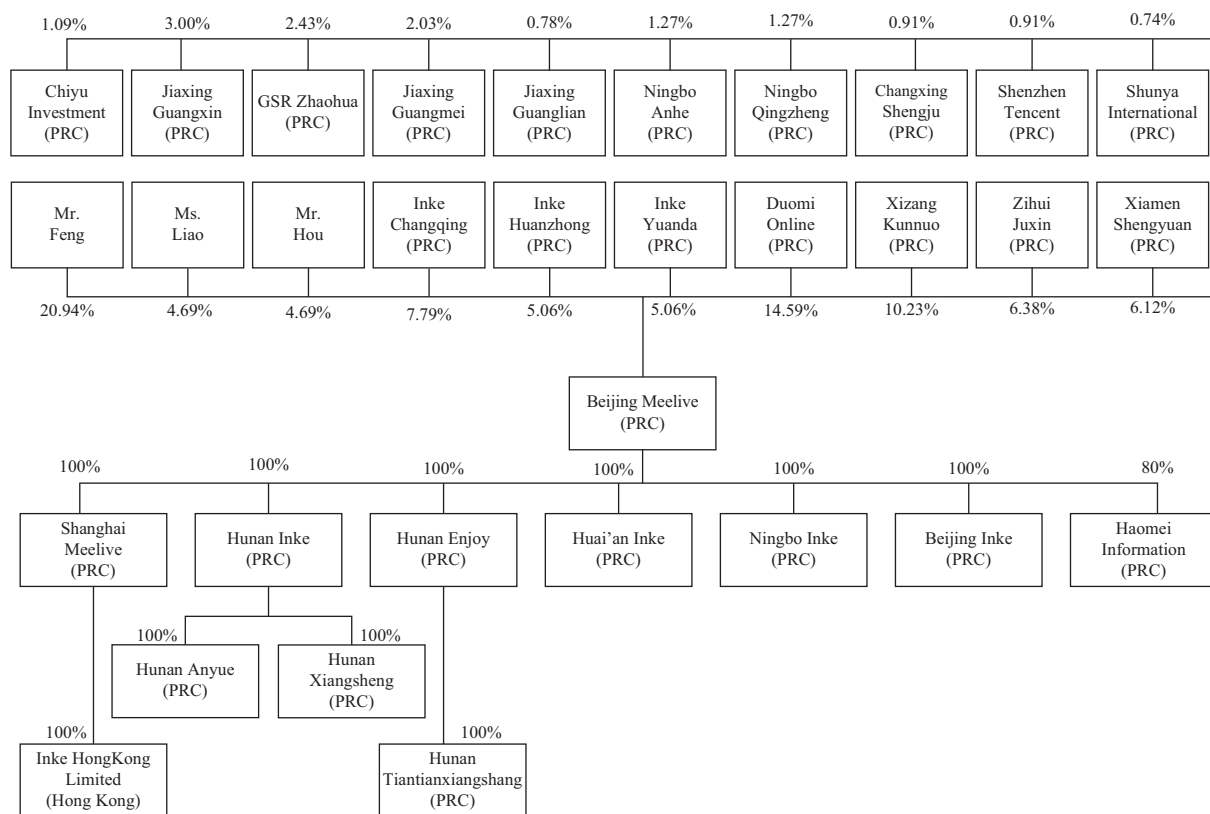
March 2018                          We further optimize our corporate structure by restructuring certain subsidiaries in Hunan in a more streamlined corporate structure. We also transferred our non-restricted or prohibited advertising business to Inke PRC and the offshore investment holding entity previously held indirectly by Beijing Meelive, Inke HongKong Limited, to Inke HK to ensure that our Contractual Arrangements are, and will continue to remain, narrowly tailored, see “Contractual Arrangements” section in this prospectus.

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## CORPORATE AND SHAREHOLDING STRUCTURE

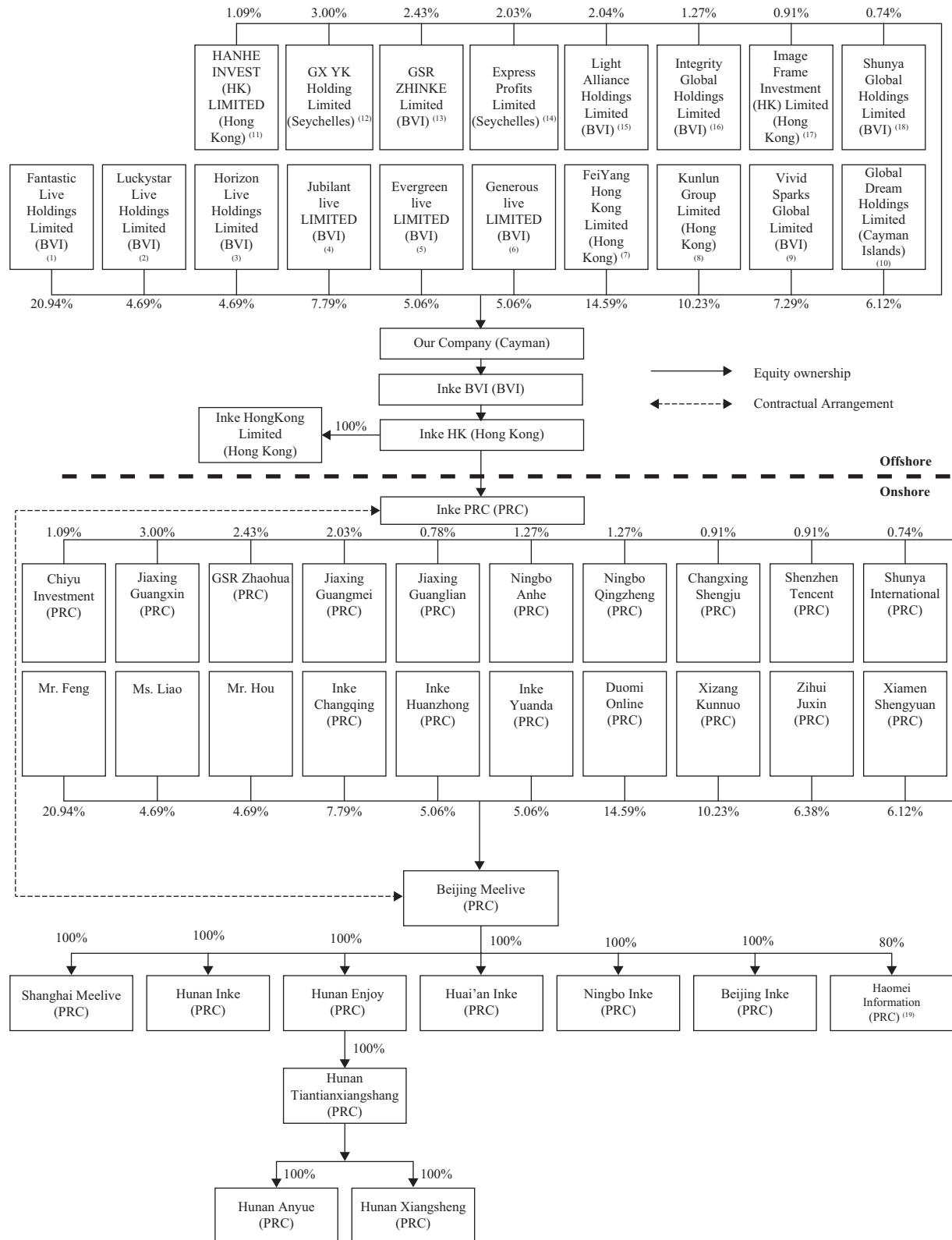
The following charts illustrate our corporate and shareholding structure (1) immediately before implementation of the Reorganization; (2) immediately after completion of Reorganization but prior to completion of the Capitalization Issue and the Global Offering and (3) immediately after the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme):

### (1) Immediately before implementation of the Reorganization



# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## (2) Immediately after completion of the Reorganization but prior to completion of the Capitalization Issue and the Global Offering



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

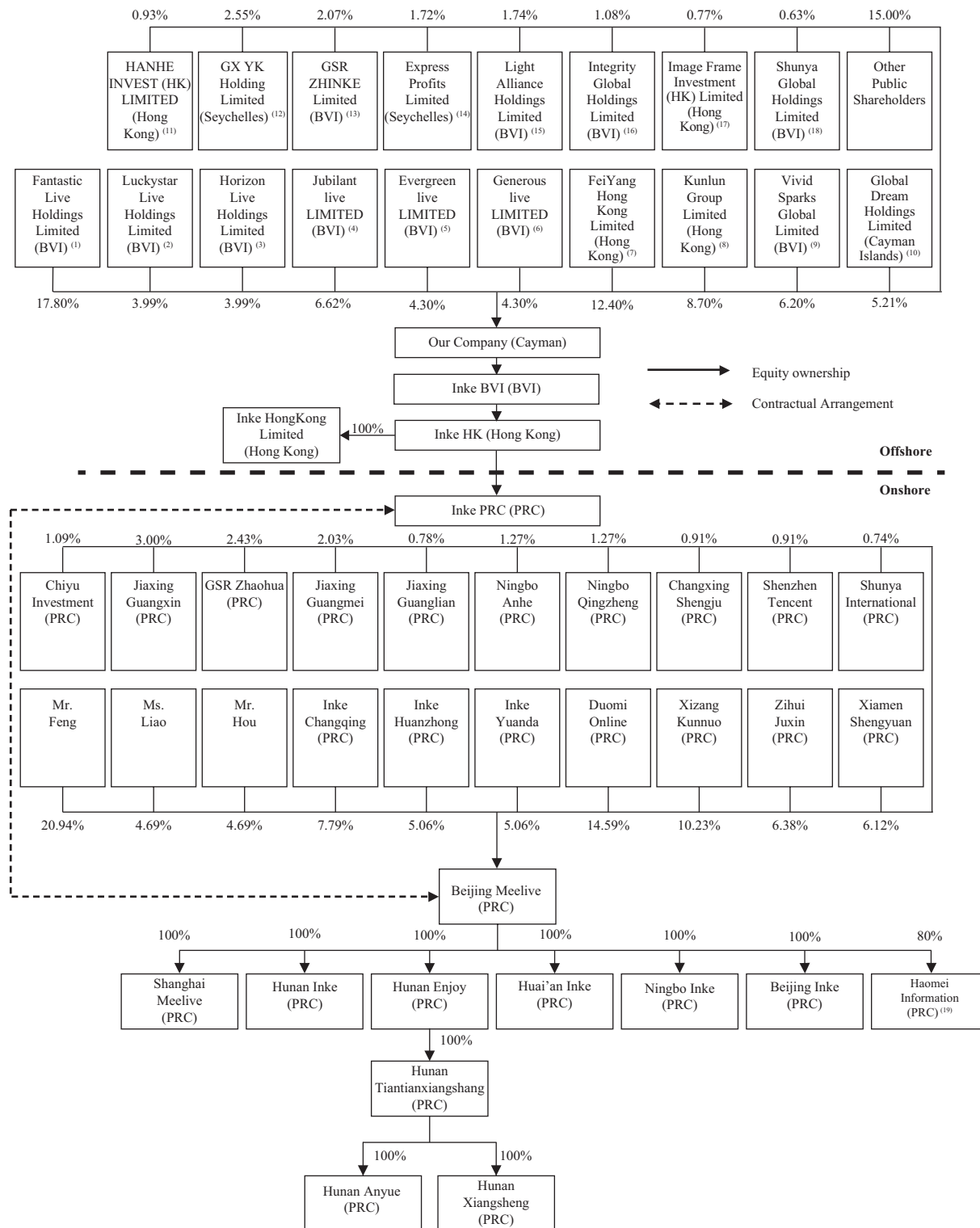
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*Notes:*

- (1) Fantastic Live Holdings Limited is owned as to 100% by Mr. Feng.
- (2) Luckystar Live Holdings Limited is owned as to 100% by Ms. Liao.
- (3) Horizon Live Holdings Limited is owned as to 100% by Mr. Hou.
- (4) Jubilant live LIMITED is ultimately owned as to approximately 79.99% and controlled by Mr. Jiang Gupeng, the Chief Strategy Officer of our Company. Mr. Hou holds approximately 0.01% shareholding interest in Jubilant live LIMITED. The remaining 20% shareholding interest in Jubilant live LIMITED is held by two other key employees of our Group. Jubilant live LIMITED is the offshore holding vehicle of Inke Changqing.
- (5) Evergreen live LIMITED is ultimately owned as to approximately 97.99% and controlled by Mr. Hou, as to approximately 2.00% by Mr. Feng and as to approximately 0.01% by Ms. Liao. Evergreen live LIMITED is the offshore holding vehicle of Inke Huanzhong.
- (6) Generous live LIMITED is ultimately owned as to approximately 89.99% and controlled by Ms. Liao. Mr. Feng holds approximately 1.0% shareholding interest and Mr. Jiang Gupeng, the Chief Strategy Officer of our Company, holds approximately 0.01% shareholding interest in Generous live LIMITED. The remaining 9% shareholding interest in Generous live LIMITED is held by another key employee of our Group. Generous live LIMITED is the offshore holding vehicle of Inke Yuanda.
- (7) FeiYang Hong Kong Limited is ultimately wholly owned by Duomi Online, our Angel Investor which holds approximately 14.59% of the equity interest in Beijing Meelive.
- (8) Kunlun Group Limited is wholly owned by Kunlun. Kunlun also wholly owns Xizang Kunnuo, one of our Investors which holds approximately 10.23% of the equity interest in Beijing Meelive. Kunlun Group Limited is the offshore holding vehicle of Xizang Kunnuo.
- (9) Vivid Sparks Global Limited is wholly-owned by Fantastic Ardent Limited, which is owned as to 90% by Mr. Zheng Gang (鄭剛) and 10% by Mr. Zhang Tian (張甜), each an independent third party. Vivid Sparks Global Limited acts as the nominee of each of Zihui Juxin and Changxing Shengju for holding Shares in the Company. Zihui Juxin and Changxing Shengju are funds managed by the same fund manager, in which Mr. Zheng Gang and Mr. Zhang Tian are the members of its Investment Committee.
- (10) Global Dream Holdings Limited is wholly owned by Mr. Wen Baitao (溫栢濤), an independent third party, and which acts as the nominee of Xiamen Shengyuan for holding Shares in the Company.
- (11) HANHE INVEST (HK) LIMITED is ultimately wholly owned by Mr. Ge Ri Le Tu (格日勒圖), who is the ultimate beneficial owner of Chiyu Investment and an independent third party. HANHE INVEST (HK) LIMITED is the offshore holding vehicle of Chiyu Investment.
- (12) GX YK Holding Limited is owned by Ms. Liu Weiyi (劉韋熾) as to 76.43% and SIYANLI HOLDING LIMITED (思妍麗控股有限公司) as to 23.57%, each an independent third party. GX YK Holding Limited acts as the nominee of Jiaxing Guangxin for holding Shares in the Company.
- (13) GSR ZHINKE Limited is wholly owned by Mr. Ding Jian (丁健), an employee of the fund manager of the funds of GSR Zhaohua and an independent third party. GSR ZHINKE Limited acts as the nominee of GSR Zhaohua for holding Shares in the Company.
- (14) Express Profits Limited is wholly owned by Ms. Liu Weiyi (劉韋熾), an independent third party. Express Profits Limited acts as the nominee of Jiaxing Guangmei for holding Shares in the Company.
- (15) Light Alliance Holdings Limited is wholly owned by Mr. Duan Hongtao (段洪濤), who is one of the partners of each of Jiaxing Guanglian and Ningbo Anhe and an independent third party. Light Alliance Holdings Limited acts as the nominee of each of Jiaxing Guanglian and Ningbo Anhe for holding Shares in the Company.
- (16) Integrity Global Holdings Limited is wholly owned by Ms. Jia Junlin (賈君琳), a general partner of Ningbo Qingzheng and an independent third party. Integrity Global Holdings Limited acts as the nominee of Ningbo Qingzheng.
- (17) Image Frame Investment (HK) Limited is a wholly-owned subsidiary of Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 700.
- (18) Shunya Global Holdings Limited is wholly owned by Mr. Zhang Xiubing (張秀兵), a director of Shunya International and an independent third party. Shunya Global Holdings Limited acts as the nominee of Shunya International for holding Shares in the Company.
- (19) The remaining 20% of Haomei Information is owned by Mr. Guo Hui (郭輝), an independent third party of the Company.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (3) Immediately after the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme)



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Please refer to the notes underneath the corporate and shareholding structure chart of our Group under “(2) Immediately after completion of the Reorganization but prior to completion of the Global Offering” above.

Immediately after the completion of the Global Offering and pursuant to the requirement under Rule 8.24 of the Listing Rules, save for the Shares held by the Controlling Shareholders, Jubilant live LIMITED and FeiYang Hong Kong Limited, all other Shares held by our Shareholders will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.

### INFORMATION ON MEMBERS OF OUR GROUP

We set forth below certain information on our Company and each member of our Group that made material contribution to our results of operations during the Track Record Period.

#### Our Company

Our Company was incorporated in the Cayman Islands on November 24, 2017 as an exempted company with limited liability, with principal function as an investment holding company. Our Company was authorized to issue a maximum of 50,000,000 Shares with par value of US\$0.001 per share, and a total of 1,713,224 ordinary shares were issued to the following Shareholders as of the date of this prospectus and upon completion of the Capitalization Issue and Global Offering (assuming that the Over-allotment Option is not exercised).

Name of shareholder	As at the date of the prospectus		Upon completion of the Capitalization Issue and Global Offering (assuming that the Over-allotment Option is not exercised)	
	Number of shares held	Percentage of total issued share capital held	Number of shares held	Percentage of total issued share capital
Fantastic Live Holdings Limited . . . . .	358,798	20.94%	358,798,000	17.80%
Luckystar Live Holdings Limited . . . . .	80,409	4.69%	80,409,000	3.99%
Horizon Live Holdings Limited . . . . .	80,409	4.69%	80,409,000	3.99%
Jubilant live LIMITED . . . . .	133,485	7.79%	133,485,000	6.62%
Evergreen live LIMITED . . . . .	86,746	5.06%	86,746,000	4.30%
Generous live LIMITED . . . . .	86,746	5.06%	86,746,000	4.30%
FeiYang Hong Kong Limited . . . . .	250,000	14.59%	250,000,000	12.40%
Kulun Group Limited . . . . .	175,293	10.23%	175,293,000	8.70%
Vivid Sparks Global Limited . . . . .	124,945	7.29%	124,945,000	6.20%
Global Dream Holdings Limited . . . . .	104,923	6.12%	104,923,000	5.21%
HANHE INVEST (HK) LIMITED . . . . .	18,650	1.09%	18,650,000	0.93%
GX YK Holding Limited . . . . .	51,397	3.00%	51,397,000	2.55%
Express Profits Limited . . . . .	34,698	2.03%	34,698,000	1.72%
GSR ZHINKE Limited . . . . .	41,700	2.43%	41,700,000	2.07%
Light Alliance Holdings Limited . . . . .	35,007	2.04%	35,007,000	1.74%
Integrity Global Holdings Limited . . . . .	21,686	1.27%	21,686,000	1.08%
Image Frame Investment (HK) Limited . . . . .	15,614	0.91%	15,614,000	0.77%
Shunya Global Holdings Limited . . . . .	12,718	0.74%	12,718,000	0.63%



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Our Subsidiaries

No.	Name of Subsidiary and Establishment Date / Date of commencement of business	Place of Establishment	Ownership as of the date of this prospectus	Principal Activity
1.	Inke BVI <i>November 30, 2017</i>	BVI	100%	Investment Holding
2.	Inke HK <i>December 19, 2017</i>	Hong Kong	100%	Investment Holding
3.	Inke PRC <i>February 14, 2018</i>	PRC	100%	Provision of technology and consulting services and engaging in advertising business
4.	Beijing Meelive <i>March 31, 2015</i>	PRC	Controlled through the Contractual Arrangements	Operation of mobile live-streaming platforms and holding of an Online Culture Operating License, ICP License and Commercial Performance License
5.	Inke HongKong Limited <i>July 12, 2016</i>	Hong Kong	100%	Investment holding
	<i>Subsidiaries of Beijing Meelive</i>			
6.	Beijing Inke <i>July 5, 2016</i>	PRC	100%	Investment holdings in internet entities being upstream and downstream online and mobile live-streaming companies principally engaged in internet cultural activities and value-added telecommunications services that are subject to foreign ownership restrictions under applicable PRC laws
7.	Huai'an Inke <i>June 15, 2017</i>	PRC	100%	Support services to operation of mobile live-streaming platforms, including providing centralized payment services with regards to all streamers of our mobile live-streaming platforms

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Name of Subsidiary and Establishment Date / Date of commencement of business	Place of Establishment	Ownership as of the date of this prospectus	Principal Activity
8.	Hunan Anyue <i>September 20, 2016</i>	PRC	100%	Operation of mobile live-streaming platforms and holding of an Online Culture Operating License, ICP License and Commercial Performance License
9.	Hunan Enjoy <i>April 18, 2017</i>	PRC	100%	Investment holdings in internet entities being upstream and downstream online and mobile live-streaming companies principally engaged in internet cultural activities and value-added telecommunications services that are subject to foreign ownership restrictions under applicable PRC laws
10.	Hunan Inke <i>May 30, 2016</i>	PRC	100%	Support services to operation of mobile live-streaming platforms and holding of an Online Culture Operating License, ICP License and Commercial Performance License
11.	Hunan Tiantianxiangshang <i>May 19, 2009</i>	PRC	100%	Online audio and video program services and support services to operation of mobile live-streaming platforms and holding of an Online Culture Operating License, ICP License and Permit for Spreading Audio-Visual Programs via Information Network

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Name of Subsidiary and Establishment Date / Date of commencement of business	Place of Establishment	Ownership as of the date of this prospectus	Principal Activity
12.	Hunan Xiangsheng <i>September 20, 2016</i>	PRC	100%	Operation of mobile live-streaming platforms and holding of an Online Culture Operating License, ICP License and Commercial Performance License
13.	Ningbo Inke <i>May 31, 2016</i>	PRC	100%	Investment holdings in internet entities being upstream and downstream online and mobile live-streaming companies principally engaged in internet cultural activities and value-added telecommunications services that are subject to foreign ownership restrictions under applicable PRC laws
14.	Shanghai Meelive <i>June 7, 2016</i>	PRC	100%	Investment holdings in internet entities being upstream and downstream online and mobile live-streaming companies principally engaged in internet cultural activities and value-added telecommunications services that are subject to foreign ownership restrictions under applicable PRC laws
15.	Haomei Information <i>December 26, 2016</i>	PRC	80%	Operation of internet social application and holding of an Online Culture Operating License and ICP License

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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We describe below the changes in equity of our material operating subsidiaries, from the commencement of the Track Record Period (or in the case of Hunan Tiantianxiangshang and Haomei Information, from the date of acquisition by our Group), up to the date of this prospectus:

### *Beijing Meelive*

Beijing Meelive was established as a limited liability company in China on March 31, 2015, with an initial registered capital of RMB10,000,000. Our initial shareholders were Mr. Feng, Mr. Liu Xiaosong and Shenzhen Kuai Tong Lian Technology Co., Ltd., with an equity interest of 26%, 27% and 47%, respectively. Since the inception of Beijing Meelive, our Founders served as the core management team of Beijing Meelive and are primarily responsible for overseeing our daily operations, formulating our business model and strategies as well as the overall business and technological development of our Group. In recognition of the devotion by our Founders, our initial shareholders agreed to reduce the registered capital of Beijing Meelive to RMB300,000. The registered capital of Beijing Meelive remain unpaid at the time of the capital reduction. Upon completion of the capital reduction in December 2015, Mr. Feng became the sole shareholder of Beijing Meelive. Further in January 2016, Ms. Liao and Mr. Hou formalized their investment in Beijing Meelive by making capital contribution to Beijing Meelive. In addition, in June 2016, certain of our key management members (including, among others, our Founders) and employees made additional contribution to the registered capital of Beijing Meelive through the Employees Shareholding Platforms.

Moreover, our Angel Investor, Series A Investors and Series B Investors decided to invest in Beijing Meelive. Prior to the Listing, certain investors divested from our Company. For further details, please refer to the section headed “Financial Investments” below.

In the second half of 2017, the Founders and the Employees Shareholding Platforms and Shunya International Consulting (Beijing) Co. Ltd. (宣亞國際品牌管理 (北京) 股份有限公司, a company listed on the Shenzhen Stock Exchange with stock code 300612) (“**Shunya Brand**”) entered into an asset purchase agreement (as supplemented), pursuant to which Shunya Brand shall buyout approximately 48.25% of the equity interests in Beijing Meelive from the Founders and the Employees Shareholding Platforms in consideration for certain shareholders of Shunya Brand transferring their equity interests in Shunya Brand to the Founders and the Employees Shareholding Platforms. Beijing Meelive was not a party to the aforementioned proposed transactions and/or any of the agreements relating to the proposed transaction. According to the relevant agreements, the proposed transaction shall be automatically terminated if Shunya Brand fails to hold a shareholders’ meeting to review and approve the proposed transaction by December 15, 2017. On December 15, 2017, Shunya Brand, the Founders and the Employees Shareholding Platform all agreed not to proceed with the proposed transaction and entered into a termination agreement at the same day to terminate all relevant agreements relating to the proposed transaction. Shunya Brand has made a number of announcements which were published on the Shenzhen Stock Exchange, which relate to, among other things, details of the proposed transaction and its termination. The Founders and the Employees Shareholding Platforms initially considered that the proposed buyout would enable them to access to capital markets. In light of Shunya Brand failing to hold the requisite shareholders’ meeting in approving the proposed transaction and in view of the strong commitment to the future of Beijing Meelive and our Founders’ and our key employees’ confidence in our Group’s prospects and operations, our Founders and the Employees Shareholding Platforms agreed to terminate the proposed transaction and continue to hold their

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

respective interests in Beijing Meelive. Subsequently, having considered that Hong Kong is a compelling listing and fundraising venue in Asia for companies seeking to go public and raise funds, and the Stock Exchange offers a trusted, liquid and world-class platform to reach a broad range of retail investors, Beijing Meelive have decided to seek for a new listing in Hong Kong.

As a result of the foregoing, and as of the date of this prospectus, Beijing Meelive was held by the following parties:

Name of shareholder	Registered capital held (RMB)	Percentage of equity interest held
Mr. Feng	358,798	20.94%
Ms. Liao	80,409	4.69%
Mr. Hou	80,409	4.69%
Inke Changqing	133,485	7.79%
Inke Huanzhong	86,746	5.06%
Inke Yuanda	86,746	5.06%
Duomi Online	250,000	14.59%
Xizang Kunnuo	175,293	10.23%
Zihui Juxin	109,331	6.38%
Xiamen Shengyuan	104,923	6.12%
Jiaxing Guangxin	51,397	3.00%
GSR Zhaohua	41,700	2.43%
Jiaxing Guangmei	34,698	2.03%
Jiaxing Guanglian	13,321	0.78%
Ningbo Anhe	21,686	1.27%
Ningbo Qingzheng	21,686	1.27%
Chiyu Investment	18,650	1.09%
Shenzhen Tencent	15,614	0.91%
Changxing Shengju	15,614	0.91%
Shunya International	12,718	0.74%

Beijing Meelive is a PRC operating entity of our Group that holds relevant licenses and intellectual property rights that we need for carrying out our business in China, and is mainly responsible for the operation of our mobile live streaming platform. We have, through our wholly-owned subsidiary, Inke PRC, entered into a series of Contractual Arrangements with Beijing Meelive and its shareholders to assert management control over the operations of our business conducted through Beijing Meelive and its subsidiaries, and to enjoy all economic benefits of Beijing Meelive and its subsidiaries. For further details about the contractual arrangements, please refer to the section headed “Contractual Arrangements” in this prospectus.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Inke PRC*

Inke PRC was established in China on February 14, 2018 as a wholly foreign owned enterprise by Inke HK with a registered capital of US\$1,000,000. Inke PRC was established for the purpose of controlling Beijing Meelive through the Contractual Arrangements and provides consulting and advisory services to Beijing Meelive pursuant to the Contractual Arrangements. In addition, Inke PRC is also engaged in advertising business of our Group.

### **Major Subsidiaries of Beijing Meelive**

#### *Haomei Information*

On July 31, 2017, Beijing Meelive agreed to acquire 80% of the equity interest in Haomei Information, whereby each of Tan Xing (譚星), Tan Yan (譚炎), Pingxiang Hongmei Business Consulting Center (Limited Partnership) (萍鄉紅美商務諮詢中心 (有限合夥)) respectively transferred RMB5,000,000, RMB1,500,000 and RMB1,500,000 of their equity interest then held in Haomei Information, representing 50%, 15% and 15% of the total registered capital in Haomei Information to Beijing Meelive for an aggregate consideration of RMB16,000,000. The consideration was determined after arm's length negotiations between the parties with reference to, among others, the then fair value of Haomei Information, historical performance of Haomei Information as well as future prospects of its business. The remaining 20% of the equity interest in Haomei Information had been transferred by Tan Xing to Guo Hui (郭輝). Each of Tan Xing, Tan Yan and Pingxiang Hongmei Business Consulting Center (Limited Partnership) and its general partners and limited partners are parties independent of the Company and its connected persons. The acquisition of Haomei Information was completed on November 29, 2017 and the consideration for the acquisition had been irrevocably settled by Beijing Meelive. Since then and until the date of this prospectus, the registered capital of Haomei Information remained at RMB10,000,000 and is held by Beijing Meelive as to 80% and Guo Hui as to 20%. Other than Guo Hui's investment in Haomei Information, Guo Hui is independent of the Company and its connected persons. Haomei Information is principally engaged in the operation of internet social application.

#### *Huai'an Inke*

On June 15, 2017, Huai'an Inke was established in China as a limited liability company with a registered capital of RMB5,000,000, which is held as to 100% by Beijing Meelive. The registered capital of Huai'an Inke remained unpaid as of the Latest Practicable Date. Huai'an Inke is principally engaged in providing support services to operation of our online and mobile live streaming platforms.

#### *Hunan Inke*

On May 30, 2016, Hunan Inke was established in China as a limited liability company with a registered capital of RMB10,000,000 which had been fully paid up by Beijing Meelive. Hunan Inke was held as to 100% by Beijing Meelive. On March 20, 2017, the registered capital of Hunan Inke increased from RMB10,000,000 to RMB50,000,000, where Beijing Meelive has fully paid up such additional registered capital on April 1, 2017.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Hunan Inke is principally engaged in providing support services to operation of our online and mobile live-streaming platforms.

### *Hunan Tiantianxiangshang*

On May 19, 2009, Hunan Tiantianxiangshang was established in China as a limited liability company with an initial registered capital of RMB3,000,000. On July 12, 2017, Hunan Enjoy, our consolidated subsidiary agreed to acquire the equity interests in Hunan Tiantianxiangshang from each of the then registered shareholder of Hunan Tiantianxiangshang, namely, Zhang Zhiping (張治平), Tan Rui (譚睿), Huang Ping (黃萍) and Hunan Tuowei Education Development Co., Ltd. (湖南拓維教育發展有限公司), whereby each of them respectively transferred RMB232,750, RMB2,740,167, RMB3,028,708 and RMB7,569,803 of the registered capital in Hunan Tiantianxiangshang to Hunan Enjoy, for a consideration of RMB45,000,000. The consideration was determined after arm's length negotiations between the parties with reference to, among others, the then fair value of Hunan Tiantianxiangshang and the fair value of the intangible assets held by Hunan Tiantianxiangshang. Each of Zhang Zhiping, Tan Rui, Huang Ping and Hunan Tuowei Education Development Co., Ltd. and its ultimate beneficial owners are parties independent of the Company and its connected persons. The acquisition of Hunan Tiantianxiangshang was completed on July 12, 2017 and the consideration for the acquisition had been irrevocably settled by Hunan Enjoy. Since then and until the date of this prospectus, the registered capital of Hunan Tiantianxiangshang remained at RMB13,571,428 and is held by Hunan Enjoy as to 100%. Hunan Tiantianxiangshang is principally engaged in online audio and video program services and support services to operation of mobile live streaming platforms.

### *Other investments*

As of December 31, 2017, we held investments in ten companies in China that are principally engaged in internet cultural activities, value-added telecommunications services, artists management and advertising agency services. These companies have technologies or businesses that complement ours, as well as investment funds in China which invested in companies principally engaged in telecommunications and internet services. These investments are being accounted for as investments in associates and joint ventures using the equity method and financial assets at fair value through profit and loss. The total carrying amount of our investments in these ten investee companies amounted to RMB215.5 million as of December 31, 2017. We have no control over the operations of any of these associates, joint ventures and financial assets, and where we primarily serves as a financial investor. Please refer to notes 17 and 18 to the Accountant's Report set out in Appendix I to this prospectus for details of such investments during the Track Record Period. None of these companies are our subsidiaries and we do not consider any of these investments to be material, either individually or in aggregate.

Save as mentioned in this section, we did not conduct any major acquisitions, disposals or mergers throughout the Track Record Period.

### **PRC REGULATORY REQUIREMENTS**

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



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### HISTORICAL COMMON CONTROL OF OUR COMPANY AND OUR PRC OPERATING ENTITIES

Each of our Founders is an original Founder of our Company. In addition, they are also the founders and Registered Shareholders of Beijing Meelive, and together hold a controlling equity interest in Beijing Meelive. Since the respective dates of establishment of our Company and Beijing Meelive, they have always been in consensus and in agreement when exercising their voting rights as a shareholder in every general meeting and when passing every shareholders' resolutions of our Company and Beijing Meelive, and have always been in consensus and in agreement in the management and operation of the Group.

### FINANCIAL INVESTMENTS

#### Angel Series Investment

Pursuant to the Increase in Registered Capital Agreement dated September 22, 2015, as supplemented by the Supplemental Agreement, dated November 9, 2015 and December 19, 2015, and a Registered Capital Increase Agreement entered into between Beijing Meelive, our Founders, Duomi Online, GSR Zhaohua, Zihui Tianma, Zihui Juxin and Xiamen Saifu dated November 9, 2015, entered into between, among others, Beijing Meelive, Duomi Online and our Founders (together, the “**Angel Series Investment Agreements**”), Duomi Online subscribed for a total of RMB250,000 in the registered capital of Beijing Meelive.

Principal terms of the Angel Series Investment Agreements are set forth below:

<b>Name of Angel Investor</b>	Beijing Duomi Online Technology Co., Ltd. (previously known as Beijing Caiyun Zaixian Technology Development Co., Ltd.)
<b>Background of Angel Investor</b>	Duomi Online is engaged in the business of cloud-based music service under the platform named “Duomi Music” and interactive services for fans under “Oops (偶扑)” platform. Other than its investment in our Group and that Liu Xiaosong is nominated by Duomi Online as a non-executive director of the Company, Duomi Online and its ultimate beneficial owners are parties independent of the Company and its connected persons. Duomi Online is a company listed on the National Equities Exchange and Quotations (stock code: 839256)
<b>Equity interest in Beijing Meelive being acquired or subscribed for</b>	A total of RMB250,000 in the registered capital of Beijing Meelive
<b>Price per Share and discount to the Offer Price (based on the equivalent shareholding percentages held by the Angel Investor in both the Company and Beijing Meelive as of the date of this prospectus)</b>	Approximately RMB0.04 per Share (equivalent to approximately HK\$0.05 and taking into account the Capitalization Issue), representing a discount of approximately 98.87% to an Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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<b>Total consideration</b>	An aggregate RMB10,000,000, comprising RMB5,000,000 for the initial capital contribution to RMB208,300 in the registered capital of Beijing Meelive and RMB5,000,000 for the additional contribution to RMB41,700 of the registered capital of Beijing Meelive (constituted Series A Investment, see below)
<b>Basis of determination of consideration</b>	The consideration was determined based on arm's length negotiations between the Angel Investor, the Founders and Beijing Meelive after taking into consideration the timing of the investment and the then valuation of Beijing Meelive
<b>Completion of the subscription and payment date of the consideration</b>	December 4, 2015
<b>Public float</b>	Although the acquisition of the equity interest in Beijing Meelive by Duomi Online was not financed directly or indirectly by a connected person of the Company, the Angel Investor shall hold more than 10% of the total issued share capital of our Company and Beijing Meelive immediately following the completion of the Global Offering, Duomi Online will be a connected person of our Company upon Listing. Accordingly, the Shares held by Duomi Online will not be counted as part of the public float for the purposes of the Listing Rules.
<b>Use of proceeds</b>	The proceeds have been fully utilized for (i) contribution to the registered capital of Beijing Meelive and (ii) contribution into Beijing Meelive as investment capital to be used for business expansion, capital expenditures, general working capital requirements or other purposes.
<b>Strategic benefits</b>	Our Directors are of the view that our Company can benefit from the Angel Investor's commitment to the Company and their investments demonstrate their confidence in our Group's operation and serve as an endorsement of our Company's performance strength and prospects. Our Company is also of the view that we can leverage the various platform Duomi Online is operating in further expanding our business in other online platforms through future cooperation.

### **Series A Investment**

Pursuant to (i) an Increase in Registered Capital Agreement dated October 26, 2015, entered into between Beijing Meelive, GSR Zhaohua, Duomi Online and our Founders; (ii) a Share Transfer Agreement entered into between Mr. Feng and Zihui Juxin dated November 8, 2015; (iii) a Registered Capital Increase Agreement entered into between Beijing Meelive, our Founders, Duomi Online, GSR Zhaohua, Zihui Tianma, Zihui Juxin

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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and Xiamen Saifu dated November 9, 2015 (together with (i) and (ii), the “**Series A Investment Agreement**”), (iv) an Increase in Registered Capital Agreement dated December 24, 2015 entered into between the Founders, Duomi Online, GSR Zhaohua, Zihui Tianma, Zihui Juxin, Xiamen Saifu and Kunlun (the **Series A+ Investment Agreement**) and (v) an Increase in Registered Capital Agreement dated February 1, 2016 entered into between Beijing Meelive, the Founders and each of the Series A Investors (the “**Series A++ Investment Agreement**” and collectively with the Series A Investment Agreement and the Series A+ Investment Agreements, the “**Series A Investment Agreements**”), each of the Series A Investors subscribed for or acquired an equity interest in Beijing Meelive.

Principal terms of the Series A Investment Agreements are set forth below:

<b>Name of Series A Investors</b>	GSR Zhaohua
	Zihui Tianma
	Zihui Juxin
	Xiamen Saifu
	Kunlun
	Shunya International

### **Background of investors**

GSR Zhaohua is a limited partnership established in the PRC, which is managed by Suzhou GSR Zhaohua Ventures Investment Management Co., Ltd. (蘇州金沙江朝華創業投資管理有限公司), which mainly focused on investing in early-stage technology companies.

Each of Zihui Tianma and Zihui Juxin is a limited partnership established in the PRC managed and controlled by Suzhou Zihui Qianlin Investment Management Co., Ltd. (蘇州紫輝乾麟投資管理有限公司), which mainly focused on investing in startup companies.

Xiamen Saifu is a limited partnership established in the PRC, which is managed by SAIF Partners, a leading private equity firm that provides growth capital to companies in Asia with a primary area of focus on information technology and internet.

Kunlun is a company established in the PRC with its shares listed on the Shenzhen Stock Exchange (stock code: 300418). Kunlun is a

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global leading internet company committed to creating perfect interactive platforms for users with abundant innovative applications. With its advantages in operation, the company has now built four business lines: global game development and distribution, software store, news and content distribution and social platform.

Shunya International is a company established in the PRC and is an investment holding.

Other than their respective investment in our Group, each of GSR Zhaohua, Zihui Tianma, Zihui Juxin, Xiamen Saifu, Kunlun, Shunya International and their respective general partner and limited partners or substantial shareholder as publicly disclosed by the relevant Investor (as the case may be) are parties independent of the Company and its connected persons. Save as disclosed herein, the Series A Investors are not related to each other.

**Equity interest in Beijing Meelive being acquired or subscribed for**

GSR Zhaohua contributed RMB41,700 to the registered capital of Beijing Meelive to GSR Zhaohua on November 9, 2015

Zihui Tianma contributed a total of RMB52,462 (being RMB41,700 and RMB10,762 on November 9, 2015 and December 24, 2015, respectively) to the registered capital of Beijing Meelive

Zihui Juxin acquired RMB50,363 of the registered capital of Beijing Meelive from Mr. Feng on November 8, 2015

Xiamen Saifu contributed a total of RMB104,923 (being RMB83,300 and RMB21,623 on November 9, 2015 and December 24, 2015, respectively) to the registered capital of Beijing Meelive

Kunlun contributed RMB226,690 to the registered capital of Beijing Meelive on December 24, 2015

Shunya International contributed RMB12,718 to the registered capital of Beijing Meelive on February 1, 2016

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Price per Share and discount to the Offer Price (based on the equivalent shareholding percentages held by the Series A Investors in both the Company and Beijing Meelive as of the date of this prospectus)	Name of Investor	Price per share (taking into account the Capitalization Issue)	HK\$ equivalent	Discount to the Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)
	GSR Zhaohua . . . . .	RMB0.12	HK\$0.15	96.61%
	Zihui Tianma . . . . .	RMB0.16	HK\$0.19	95.71%
	Zihui Juxin . . . . .	RMB0.30	HK\$0.37	91.65%
	Xaimen Saifu . . . . .	RMB0.16	HK\$0.19	95.71%
	Kunlun . . . . .	RMB0.30	HK\$0.37	91.65%
	Shunya International . . . . .	RMB0.25	HK\$0.31	93.00%
<b>Total consideration paid</b>	RMB5,000,000 by GSR Zhaohua			
	RMB8,236,800 by Zihui Tianma (RMB5,000,000 and RMB3,236,800 for the subscription of RMB41,700 and RMB10,762 of the registered capital of Beijing Meelive, respectively)			
	RMB15,108,416 by Zihui Juxin (paid to Mr. Feng)			
	RMB16,473,600 by Xiamen Saifu (RMB10,000,000 and RMB6,473,600 for the subscription of RMB83,300 and RMB21,623 of the registered capital of Beijing Meelive, respectively)			
	RMB68,000,000 by Kunlun			
	RMB3,814,785 by Shunya International			
<b>Basis of determination of consideration</b>	The consideration was determined based on arm's length negotiations between each of the Investors, the Founders and Beijing Meelive with reference to the latest valuation of Beijing Meelive at the time of the investment			
<b>Completion of the subscription and payment date of the consideration</b>	April 27, 2016			
<b>Public float</b>	Since each of the Series A Investors is not a connected person of our Company and the subscriptions/acquisition of the registered capital in Beijing Meelive are not financed directly or indirectly by a			

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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connected person of the Company, the equivalent percentage of Shares held in the Company by each of the Series A Investors will be counted as part of the public float.

### Use of proceeds

The proceeds have been fully utilized for (i) contribution to the registered capital of Beijing Meelive and (ii) contribution into Beijing Meelive as investment capital to be used for business expansion, capital expenditures and general working capital requirements

### Strategic benefits

Our Directors are of the view that our Company can benefit from the Series A Investors' funding to the Company and their investments demonstrate their confidence in our Group's operation and serve as an endorsement of our Company's performance strength and prospects. Our Company is also of the view that most of the Series A Investors are professional investors which can provide us with professional advice on our Group's development.

As part of the internal restructuring of respective Series A Investors, on July 1, 2016, Kunlun transferred its entire interest in the registered capital of Beijing Meelive amounting to RMB226,690 to its wholly owned subsidiary, Xizang Kunnuo, for a consideration of RMB142,594,810.70. On July 3, 2016, Zihui Tianma transferred its entire interest in the registered capital of Beijing Meelive amounting to RMB52,462 to Zihui Juxin, which is managed by the same fund manager of Zihui Tianma, for a consideration of RMB95,611,000. On August 26, 2016, Xiamen Saifu transferred its entire interest in the registered capital of Beijing Meelive amounting to RMB104,923 to Xiamen Shengyuan, another fund controlled by the same general partner, for a consideration of RMB16,473,600.

### Series B Investment

Pursuant to (i) a Share Transfer Agreement dated September 19, 2016 entered into between Beijing Meelive, Duomi Online, GSR Zhaohua, Xiamen Shengyuan, Xizang Kunnuo, Zihui Juxin, Shunya International, Jiaxing Guanglian, the Founders and the Employees Shareholding Platforms and (ii) an Increase in Registered Capital Agreement dated September 19, 2016 entered into between Beijing Meelive, GSR Zhaohua, Xiamen Shengyuan, Xizang Kunnuo, Zihui Juxin, Shunya International, Jiaxing Guanglian, each of the Series B Investors, the Founders and the Employees Shareholding Platforms (together, the “**Series B Investment Agreements**”), (a) Mr. Feng transferred RMB13,321 of the registered capital in Beijing Meelive to Jiaxing Guanglian and (b) the Series B Investors contributed additional capital totaling RMB134,454 to the registered capital of Beijing Meelive to the Series B Investors.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Principal terms of the Series B Investment Agreements are set forth below:

**Name of Series B Investors**

Jiaxing Guanglian

Jiaxing Guangmei

Ningbo Anhe

Ningbo Qingzheng

Mango Wenchuang

Shenzhen Tencent

Zihui Juxin

Jiaxing Guangxin

**Background of investors**

Jiaxing Guanglian is a limited partnership established in the PRC, which is managed by Liu Liying and mainly focused on investing in telecommunications, media and technology (TMT) industry.

Jiaxing Guangmei is a limited partnership established in the PRC, which is managed by Jiaxing Dama Investment and Management Partnership (Limited Partnership) (嘉興大馬投資管理合夥企業 (有限合夥)) and mainly focused on investing in TMT industry.

Ningbo Anhe is a limited partnership established in the PRC, which is managed by Liu Jia and mainly focused on investing in internet industry.

Ningbo Qingzheng is a limited partnership established in the PRC, which is managed by Jia Junlin and mainly focused on investing in TMT industry.

Mango Wenchuang is a limited partnership established in the PRC, which is managed by Yize Capital Management Co. Ltd., (易澤資本管理有限公司) and mainly focused on investing in cultural activities such as TV shows, movies, music, sports and other variety shows.

Shenzhen Tencent is established in the PRC and a controlled entity of Tencent Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700)), which is a provider of internet value added services in China.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Zihui Juxin is a limited partnership established in the PRC managed and controlled by Suzhou Zihui Qianlin Investment Management Co., Ltd. (蘇州紫輝乾麟投資管理有限公司), which mainly focused on investing in startup companies.

Jiaying Guangxin is a limited partnership established in the PRC, which is managed by Jiaying Guangxin Investment and Management Partnership (Limited) Partnership and mainly focused on investing in telecommunications, media and technology (TMT) industry.

Other than their respective investment in our Group, each of Jiaying Guanglian, Jiaying Guangmei, Ningbo Anhe, Ningbo Qingzheng, Mango Wenchuang, Shenzhen Tencent, Zihui Juxin, Jiaying Guangxin and their respective general partner and limited partners or substantial shareholder as publicly disclosed by the relevant investor (as the case may be) are parties independent of the Company and its connected persons. Save as disclosed herein, the Series B Investors are not related to each other or any of the Series A Investors.

**Equity interest in Beijing Meelive being acquired or subscribed for**

Jiaying Guanglian acquired RMB13,321 of the registered capital of Beijing Meelive from Mr. Feng on September 19, 2016

Jiaying Guanglian, Jiaying Guangmei, Ningbo Anhe, Ningbo Qingzheng, Mango Wenchuang, Shenzhen Tencent and Zihui Juxin, contributed a total of RMB18,650, RMB34,698, RMB21,686, RMB21,686, RMB15,614, RMB15,614 and RMB6,506 of the registered capital of Beijing Meelive, respectively on September 19, 2016

Jiaying Guangxin further acquired RMB51,397 of the registered capital of Beijing Meelive from Xizang Kunnuo on September 21, 2016

**Price per Share and discount or premium to the Offer Price (based on the equivalent shareholding percentages held by the Series B Investors in both the Company and Beijing Meelive as of the date of this prospectus)**

With respect to the acquisition of registered capital of Beijing Meelive by each of (i) Jiaying Guanglian from Mr. Feng and (ii) Jiaying Guangxin from Xizhang Kunnuo, the price per Share is approximately RMB2.03 (equivalent to approximately HK\$2.35) and RMB4.09 (equivalent to approximately HK\$4.75), respectively (taking into account the Capitalization Issue), representing a discount of approximately 46.95% and a premium of 7.22%, respectively, to an Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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With respect to the subscription of registered capital of Beijing Meelive by the Series B Investors, the price per Share is approximately RMB2.31 (equivalent to approximately HK\$2.85 and taking into account the Capitalization Issue), representing a discount of approximately 35.67% to an Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)

**Total consideration paid**

*For the acquisition of registered capital of Beijing Meelive:*

RMB27,000,000 by Jiaxing Guanglian (paid to Mr. Feng)

RMB210,000,000 by Jiaxing Guangxin (paid to Xizang Kunnuo, a Series A Investor)

*For the subscription of registered capital of Beijing Meelive:*

RMB43,000,000 by Jiaxing Guanglian

RMB80,000,000 by Jiaxing Guangmei

RMB50,000,000 by Ningbo Anhe

RMB50,000,000 by Ningbo Qingzheng

RMB36,000,000 by Mango Wenchuang

RMB36,000,000 by Shenzhen Tencent

RMB15,000,000 by Zihui Juxin

**Basis of determination of consideration**

The consideration was determined based on arm's length negotiations between each of the Investors, the Founders and Beijing Meelive with reference to the latest valuation of Beijing Meelive at the time of the investment.

**Completion of the subscription and payment date of the consideration**

July 17, 2017

**Public float**

Since each of the Series B Investors is not a connected person of our Company and the subscriptions/acquisition of the registered capital

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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in Beijing Meelive are not financed directly or indirectly by a connected person of the Company, the equivalent percentage of Shares held in the Company by each of the Series B Investors will be counted as public float.

### **Use of proceeds**

The proceeds have been fully utilized for (i) contribution to the registered capital of Beijing Meelive and (ii) contribution into Beijing Meelive as investment capital to be used for business expansion, capital expenditures, general working capital requirements or other purposes.

### **Strategic benefits**

Our Company is of the view that most of the Series B Investors are professional investors which can provide us with professional advice on our Group's development. In particular, our Company believes that we could continue to benefit from the strategic cooperation with Tencent in respect of our music copyright arrangements.

### **Divestment by certain Investors**

On December 30, 2017, Mango Wenchuang agreed to transfer its entire equity interest held in Beijing Meelive, representing RMB15,614 of the registered capital in Beijing Meelive, to a new investor, Changxing Shengju, for a consideration of approximately RMB60.2 million. Such transaction was completed on February 9, 2018 upon the consideration being settled in full by Changxing Shengju. Changxing Shengju is a fund established in the PRC, and is principally engaged in equity investment activities. Changxing Shengju is managed by the same fund manager which also managed Zihui Juxin. Other than its investment in our Group, Changxing Shengju and its ultimate beneficial owner are parties independent of the Company and its connected persons, and save as disclosed above, Changxin Shengju is not related to the other Investors. The consideration was determined based on arm's length negotiations between Mango Wenchuang and Changxing Shengju with reference to Mango Wenchuang's initial investment amount in Beijing Meelive, the financial performance of Beijing Meelive and the level of expected return from the investment. The consideration of approximately RMB60.2 million is equivalent to a price per Share of approximately RMB3.86 (equivalent to HK\$4.77 and taking into account the Capitalization Issue), representing a premium of approximately 7.67% to an Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus). Our Company did not receive any sale proceeds from Changxing Shengju as a result of such share transfer.

In addition, on January 16, 2018, Jiaxing Guanglian agreed to transfer part of its equity interest held in Beijing Meelive, representing RMB18,650 of the registered capital in Beijing Meelive, to a new investor, Chiyu Investment, for a consideration of approximately RMB71.8 million. Upon completion of this transaction, Jiaxing Guanglian shall continue to hold RMB13,322 of the registered capital in Beijing Meelive. Such transaction was completed on February 9, 2018 upon the consideration being settled in full by Chiyu Investment. Chiyu Investment is a company established in China with limited liability, and is principally engaged in equity investment activities. Other than its investment in our Group, Chiyu Investment and its ultimate beneficial owner are parties independent of the Company and its connected persons, and is not related to the other Investors. The consideration was determined based on arm's length negotiations between Jiaxing Guanglian and Chiyu

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Investment with reference to Jiaying Guanglian's initial investment amount in Beijing Meelive, the financial performance of Beijing Meelive and the level of expected return from the investment. The consideration of approximately RMB71.8 million is equivalent to a price per Share of approximately RMB3.85 (equivalent to HK\$4.77 and taking into account the Capitalization Issue), representing a premium of approximately 7.67% to an Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus). Our Company has not received any sale proceeds from Chiyu Investment as a result of such share transfer.

### **Special Rights of Investors**

Beijing Meelive, the Founders, the Employees Shareholding Platforms and the Investors entered into the shareholders agreement on September 19, 2016 (the "**Shareholders' Agreement**"). Pursuant to the Shareholders' Agreement, the Investors were granted certain special rights, including information and inspection rights, right of first offer, pre-emptive right, right of co-sale, anti-dilution rights, board appointment right, redemption rights and liquidation priority, all of which has been terminated pursuant to a written agreement entered into between Beijing Meelive, the Founders, the Employees Shareholding Platforms and the Investors on February 13, 2018 (the "**Termination Agreement**"). Pursuant to the Termination Agreement, in the event that Listing does not take place by December 31, 2019, the Investors shall have the right to reinstate any of the special rights as terminated pursuant to the Termination Agreement. For the accounting and financial impact arising from such special rights granted to the Investors, please refer to note 24 to the Accountant's Report set out in Appendix I to this prospectus.

### **Confirmation from the Joint Sponsors**

The Joint Sponsors have confirmed that the investment by the Investors is in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and the Guidance Letter GL29-12 reproducing the same issued on January 2012 and as updated in March 2017; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange on October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

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## CONTRACTUAL ARRANGEMENTS

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### INTRODUCTION

We are primarily engaged in the operations of mobile live streaming platforms (the “**Principal Business**”) and is considered to be engaged in the provision of value-added telecommunications services, internet cultural services, online audio and video program services and talent agency services. Beijing Meelive and its subsidiaries hold the relevant licenses required for carrying out the above services and operating the aforementioned businesses. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity engaging in internet cultural activities and online audio and video program streaming services and are restricted to conduct value-added telecommunications services and talent agency services. Accordingly, we cannot acquire equity interest in Beijing Meelive and its subsidiaries, which conducts our Principal Business and the platform support services which operate through, and are closely related to and interdependent on the operation of, our mobile live streaming platforms and holds the assets and certain licenses, approvals and permits required for the operation of our Principal Business. For further details of the limitations on foreign ownership in PRC companies operating mobile live streaming platforms and providing value-added telecommunications services and the licensing and approval requirements applicable to our Principal Business under PRC laws and regulations, please refer to the section headed “Regulatory Overview” above in this prospectus.

As a result of the foregoing and in preparation for the Listing and upon the completion of the Reorganization, we, through our wholly-owned subsidiary, Inke PRC, entered into a series of contractual arrangements with each of Beijing Meelive and its Registered Shareholders to assert management control over the operations of our Principal Business conducted through Beijing Meelive and its subsidiaries, and to enjoy all economic benefits of Beijing Meelive and its subsidiaries. The agreements underlying such contractual arrangements with Beijing Meelive and its Registered Shareholders include: (i) Exclusive Consulting and Service Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement (the “**Contractual Arrangements**”). Moreover, each of the Registered Shareholders of Beijing Meelive had also executed an irrevocable Power of Attorney appointing Inke PRC as his/her/its proxy to exercise on his/her/its behalf of shareholder rights in Beijing Meelive.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of Beijing Meelive and its subsidiaries will be instructed and supervised by our Group, through Inke PRC, and all risks arising from the business of Beijing Meelive and its subsidiaries are also effectively borne by our Group as a result of Beijing Meelive and its subsidiaries being treated as wholly-owned subsidiaries of our Group. Accordingly, our Directors consider that it is fair and reasonable for Inke PRC to be entitled to all economic benefits generated by the business operated by Beijing Meelive through the Contractual Arrangements as a whole. In addition, our Directors are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations and would allow and ensure sound and effective operation of our Company and our Principal Business in compliance with applicable PRC laws and regulations. Accordingly, our Directors consider that such transactions, which have been and shall be entered into on normal commercial terms, are fair and reasonable, or advantageous, so far as our Group is concerned and are in the best interest of our Company and Shareholders as a whole. Our Directors also believe that our Group’s structure whereby the financial results of Beijing Meelive and its subsidiaries are consolidated into our Group’s financial statements as subsidiaries, and the flow of economic benefit of their business to our Group pursuant to the Contractual Arrangements, would also be in the best interest of our

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## CONTRACTUAL ARRANGEMENTS

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Company. During the Track Record Period, substantially all of the operating assets were held by Beijing Meelive and its subsidiaries and all operating staff and employees, including but not limited to, staff in our business development and operations department, were employed by Beijing Meelive and its subsidiaries. In addition, during the Track Record Period, the revenue generated by Beijing Meelive and its subsidiaries represents all consolidated revenue of our Group.

We believe that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct the Principal Business and the platform support services which operate through, and are closely related to and interdependent on the operation of, our mobile live streaming platforms which are prohibited from foreign investment.

Each of Hunan Anyue, Hunan Inke, Hunan Tiantianxiangshang, Hunan Xiangsheng and Haomei Information holds a valid ICP License and Online Culture Operating License and therefore, and as confirmed by our PRC Legal Advisor, is a company that is subject to foreign ownership restrictions or prohibitions. While the payment support services that Huai'an Inke currently provides do not strictly fall under any category of restricted business, they are fully integrated into Beijing Meelive's operation of the mobile live-streaming platforms and are interdependent on Beijing Meelive's business as they are fundamental to our ecosystem to duly compensate our streamers, who are the primary sources of the content generated on our platforms. Subject to obtaining the Online Culture Operating License, Huai'an Inke is also expected to provide talent agency and artists management services to Beijing Meelive. The talent agency and artists management services to be provided by Huai'an Inke will involve the identification of potential talents, artists or other active cyber-performers on other live-streaming platforms to become streamers of, as well as to perform and/or to conduct online advertising through, our mobile live-streaming platforms. Such services will also include subsequent management of the talents, artists and cyber-performers through the monitoring of their cyber performance and online activities during their live-streaming time on our mobile live-streaming platforms and the provision of online trainings to such talents, artists or other active cyber-performers through our mobile live-streaming platforms. In addition, Huai'an Inke is expected to serve a centralized function of managing streamers of our mobile live-streaming platforms going forward. Accordingly, Huai'an Inke's expected business operations shall be subject to foreign ownership restrictions. Upon Huai'an Inke obtaining the Online Culture Operating License, Huai'an Inke would also be subject to foreign ownership restrictions and prohibitions. As of the Latest Practicable Date, Huai'an Inke was already in the process of preparing for the application of an Online Culture Operating License and based on the advice of our PRC Legal Advisor, our Directors believe that there will not be any material legal impediment in Huai'an Inke obtaining the Online Culture Operating License. In the event that Huai'an Inke fails to obtain the Online Culture Operating License within a reasonable time of submitting the application to the relevant governmental authority, which application will generally take approximately nine to 12 months, our Company undertakes to have Inke PRC (to the extent permissible to do so under applicable PRC laws and regulations) or Hunan Inke or Beijing Meelive or any other wholly-owned subsidiary as designated by Beijing Meelive and which possesses a valid Online Culture Operating License to provide the relevant payment support, talent agency and artists management services until Huai'an Inke successfully obtains the Online Culture Operating License. Based on the foregoing, we operate these companies as subsidiaries of Beijing Meelive and control these subsidiaries under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored.

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During the Track Record Period, revenues generated by Beijing Meelive represented substantially all (being over 99%) of the consolidated revenues of our Group and the remaining 1% of the consolidated revenues of our Group was generated from Hunan Anyue, Hunan Xiangsheng, Hunan Tiantianxiangshang and Haomei Information. As Huai'an Inke and Hunan Inke were providing support services to the operation of our mobile live-streaming platforms, both Huai'an Inke and Hunan Inke were non-revenue generating entities. In addition, we have recorded a share of loss of investments accounted for using the equity method of approximately RMB2.9 million and approximately RMB1.5 million for each of the years ended December 31, 2016 and 2017 with regards to the internet entities in which we have invested.

As advised by our PRC Legal Advisor, the operation of advertising business is not subject to any foreign investment prohibition or restriction under applicable PRC laws and regulations. Based on the foregoing advice from our PRC Legal Advisor and as an additional measure to ensure that non-restricted or prohibited businesses will be carried out by our wholly-owned subsidiaries such that the Contractual Arrangements are, and will continue to remain, narrowly tailored, as part of our Reorganization, we have transferred our advertising businesses (including without limitation all relevant business contracts and employees), which are not subject to any foreign investment restrictions to Inke PRC, our indirect wholly-owned subsidiary. In addition, we have also transferred our offshore investment holding entity, Inke HongKong Limited, previously held indirectly by Beijing Meelive through its wholly-owned subsidiary Shanghai Meelive, to Inke HK to ensure that our Contractual Arrangements are, and will continue to remain, narrowly tailored.

### Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in China must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in China. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, (i) this guidance memorandum does not have the regulatory effect equivalent to PRC laws and regulations and (ii) no further applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been working on the plan of gradually building up our track record of overseas telecommunications business



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## CONTRACTUAL ARRANGEMENTS

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operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Beijing Meelive when the relevant PRC laws allow foreign investors to invest and to directly hold equity interest in value-added telecommunications and internet cultural enterprises in China. For the purposes of meeting the Qualification Requirements, we are in the process of establishing and accumulating overseas operation experience, including, in particular:

- Inke HongKong Limited and Inke HK have been incorporated in Hong Kong in July 2016 and December 2017, respectively, for the purposes of establishing and expanding our operations overseas; and
- Inke HK has applied for the registration of a number of trademarks outside of the PRC in February 2018, with an aim to apply such trademarks for the promotion of Inke's app and mobile live-streaming platform overseas in the future.

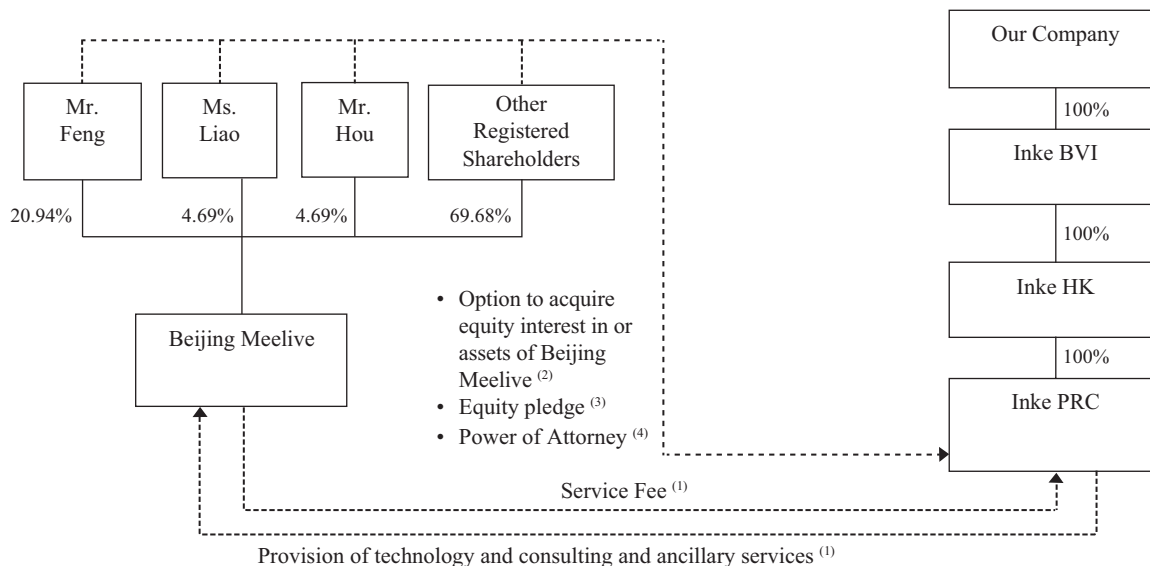
We expect that the aggregate expenditures incurred and to be incurred for implementing such expansion plans in targeted overseas market will amount to approximately RMB8 million.

Our PRC Legal Advisor conducted an interview with the relevant government authority, being the Beijing MIIT, during which it confirmed that steps such as those taken by us above may be deemed to be one of the factors to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations. The officers of the MIIT who provided the verbal confirmation serve in the department of MIIT which is mainly in charge of supervision and administration of information and communication services as well as supervision and guidance of market access to telecom and internet services. Based on the above and its understanding of the businesses that the Group operates, our PRC Legal Advisor is of the view that the officers of the MIIT who provided the verbal confirmations have the competent authority to do so. Accordingly, subject to the discretion of the competent authority and a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Advisor is of the view that the above steps taken by us are reasonable and appropriate in satisfying the Qualification Requirements. We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

## CONTRACTUAL ARRANGEMENTS

### Diagram of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Beijing Meelive to our Group stipulated under the Contractual Arrangements:



#### Notes:

- (1) Please refer to the section headed “Exclusive Consulting and Service Agreement” below.
- (2) Please refer to the section headed “Exclusive Call Option Agreement” below.
- (3) Please refer to the section headed “Equity Pledge Agreement” below.
- (4) Please refer to the section headed “Powers of Attorney” below.
- (5) Shareholdings of the other Registered Shareholders are as follows: Duomi Online as to 14.59%, Xizang Kunnuo as to 10.23%, Inke Changqing as to 7.79%, Inke Yuanda as to 5.06%, Inke Huanzhong as to 5.06%, Zihui Juxin as to 6.38%, Xiamen Shengyuan as to 6.12%, Jiaxing Guangxin as to 3.00%, GSR Zhaohua as to 2.43%, Jiaxing Guangmei as to 2.03%, Jiaxing Guanglian as to 0.78%, Ningbo Anhe as to 1.27%, Ningbo Qingzheng as to 1.27%, Changxing Shengju as to 0.91%, Shenzhen Tencent as to 0.91%, Shunya International as to 0.74% and Chiyu Investment as to 1.09%.

## DETAILS OF THE AGREEMENTS UNDERLYING THE CONTRACTUAL ARRANGEMENTS

### Exclusive Consulting and Service Agreement

Inke PRC and Beijing Meelive entered into an Exclusive Consulting and Service Agreement on February 14, 2018, pursuant to which Beijing Meelive agreed to engage Inke PRC as its exclusive consultant and service provider. The advices and services which Inke PRC shall provide to Beijing Meelive include, but are not limited to, (i) market research and consulting services for marketing, (ii) short-and/or medium-term market development and planning services, (iii) management related consulting services and assistance, assist Beijing Meelive in introducing advanced management philosophy and management model, (iv) website construction, maintenance and overall security services, (v) development and research services for business related software and hardware, (vi) technical development, technical consulting, and technology transfer and promotion;

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## CONTRACTUAL ARRANGEMENTS

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(vii) other technical services, (viii) public relations services, (ix) sales agency services, (x) management consulting services and assistance on Beijing Meelive's labor and employment system, including but not limited to the organizing the training and evaluation on administrative, management and other personnel, assisting the establishment of an integrated human resources management system and achieve good human resource allocation, (xi) consulting services on Beijing Meelive's administrative management, internal review supervision and asset management according to Beijing Meelive's needs, and (xii) other service areas. Inke PRC shall have the exclusive and proprietary rights to all intellectual properties arising from and developed during and as a result of the performance of the consulting and advisory services. Inke PRC shall have the exclusive and proprietary rights to use all such intellectual properties which Inke PRC, Beijing Meelive or any of its subsidiaries (as the case may be) has developed during the term of the Exclusive Consulting and Service Agreement.

Pursuant to the Exclusive Consulting and Service Agreement and subject to compliance with applicable PRC laws, Beijing Meelive shall pay to Inke PRC a service fee that equals to the consolidated profit before taxation of Beijing Meelive and its subsidiaries, including all profits attributable to Beijing Meelive, but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, expenses and tax of Beijing Meelive and its subsidiaries in any given year. Inke PRC is also entitled to adjust the service fee payable by Beijing Meelive based on the actual technical consulting services provided, and the business conditions and development needs of Beijing Meelive. The service fee shall be payable within 10 working days after receiving the service fee bill, which should be sent out by Inke PRC within 30 days of the commencement of any quarter for the services provided in the preceding quarter.

It is also stipulated in the Exclusive Consulting and Service Agreement that Inke PRC shall enjoy all economic benefits of, and bear all risks arising from, the conduct of the Principal Business by Beijing Meelive and its subsidiaries. Regardless of whether Beijing Meelive incurs significant operating loss, Inke PRC shall have discretion to provide financial support to Beijing Meelive, to the extent permitted under PRC laws, to ensure that Beijing Meelive could meet its daily operating cash flow requirements and/or for the purpose of offsetting any operating loss incurred. In the event that Beijing Meelive incurs any operating loss or experiences serious difficulties in its operations, Inke PRC shall have the right to request Beijing Meelive to cease its operations, and Beijing Meelive shall unconditionally accept the requests of Inke PRC. On the other hand, pursuant to the Exclusive Consulting and Service Agreement, without the prior written consent from Inke PRC, Beijing Meelive shall not accept the same or similar consulting and services provided by any other third parties during the term of the agreement.

Beijing Meelive shall procure each of its subsidiaries to strictly comply with the terms of each of the Exclusive Consulting and Service Agreement as if it were a party to such agreements.

The Exclusive Consulting and Service Agreement has an initial term of ten (10) years and may be automatically extended at the discretion of Inke PRC. The Exclusive Consulting and Service Agreement may be terminated by Inke PRC by giving Beijing Meelive 30 days' prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Beijing Meelive to

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## CONTRACTUAL ARRANGEMENTS

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Inke PRC or its designated person(s) pursuant to Exclusive Call Option Agreement. Beijing Meelive is not contractually entitled to terminate the Exclusive Consulting and Service Agreement with Inke PRC.

Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Beijing Meelive to flow to Inke PRC and hence, our Group as a whole. As of the Latest Practicable Date, Inke PRC has deployed appropriate facilities and personnel to oversee the operation and management of Beijing Meelive, drive the key business decision-making processes and provide overall business advices and consulting services as required to be provided to Beijing Meelive and its subsidiaries pursuant to the Exclusive Consulting and Service Agreement, whilst Beijing Meelive and its subsidiaries are mainly responsible for the operations of the mobile live streaming platforms and to hold all operating assets for the purpose of operating the Principal Business to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity operating mobile live streaming platforms and the conditions of the relevant ICP and operating licenses granted to Beijing Meelive and its subsidiaries. Our Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Inke PRC and Beijing Meelive under the Contractual Arrangements and also ensure sound and effective operation of our Group in compliance with the Contractual Arrangements and applicable laws and regulations.

### **Exclusive Call Option Agreement**

Inke PRC, the Registered Shareholders and Beijing Meelive entered into an Exclusive Call Option Agreement on February 14, 2018, pursuant to which the Registered Shareholders and Beijing Meelive jointly and severally granted to Inke PRC (exercisable by itself or any direct or indirect shareholder of Inke PRC and a direct or indirect subsidiary of such shareholder (i.e. being any member of our Group) or an authorized director (being a PRC citizen) of any such shareholder or its direct or indirect subsidiary, hereinafter collectively referred to as the “designated person”) irrevocable options to (i) purchase, to the extent permitted by PRC laws and regulations, their equity interests in Beijing Meelive, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations, unless where PRC laws and regulations requires valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations, or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Beijing Meelive at the net book value of such assets, unless the minimum purchase price permitted under PRC laws and regulations is higher than the net book value of such assets, such minimum purchase price permitted under PRC laws and regulations shall be applied. Inke PRC (by itself or any of its designee as specified above) may exercise such options, fully or partially, at any time, subject to applicable PRC laws and regulations. It is also agreed that Inke PRC shall have the right to forthwith exercise the option granted under the Exclusive Call Option Agreement when relevant PRC laws and regulations permit the equity interests of Beijing Meelive to be directly held by Inke PRC while Beijing Meelive continues to legally operate the Principal Business. In addition, the Registered Shareholders and/or Beijing Meelive have agreed to return any proceeds it/they will receive in the event that the call option to acquire the equity interests in and/or assets of Beijing Meelive is exercised to Inke PRC. Moreover, upon the liquidation and dissolution of Beijing Meelive pursuant to PRC laws and regulations, Inke PRC shall be entitled to appoint a liquidator to manage the assets of Beijing Meelive or its subsidiaries. Beijing Meelive or its subsidiaries shall, to the extent permitted by PRC laws and regulation, sell all assets at the minimum purchase price permitted by PRC laws and regulations to Inke PRC. Beijing Meelive or its subsidiaries shall relieve Inke PRC or other designated persons of Inke PRC of any

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payment obligation derived from the above mentioned sale to the extent permitted by PRC laws and regulation; any profit derived from this transaction shall form part of the service fee under the Exclusive Consulting and Service Agreement and be paid to Inke PRC or other qualified persons designated by Inke PRC.

Pursuant to the Exclusive Call Option Agreement, the Beijing Meelive has undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) not to supplement, modify or amend its constitutional documents, alter the registered capital or change the registered capital structure of Beijing Meelive without the prior written approval from Inke PRC;
- (ii) prudently and effectively operate and manage the business and corporate matters of Beijing Meelive, and to ensure their existence, in accordance with the good business standards and practice;
- (iii) not to sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of the income of Beijing Meelive (save for those required in the ordinary course of business) or allow any security interest to be created on its assets of Beijing Meelive;
- (iv) not to incur, take up, guarantee or allow any indebtedness without the prior written approval from Inke PRC (save for those in the ordinary course of business and having been disclosed to and consented by Inke PRC in writing);
- (v) to operate the business of Beijing Meelive and its subsidiaries in order to maintain its asset value, and not allow any acts or omission which adversely affects its business or assets value;
- (vi) not to enter into any material contracts (including but not limited to loan agreements, external security agreements, asset disposal agreements or any agreements that place the Company under debt or substantial adverse effects) with an amount of over RMB500,000 (other than those entered in the ordinary course of business) without the prior written approval from Inke PRC or our Company;
- (vii) not to lend or provide any financing to any other third party without the prior written approval from Inke PRC;
- (viii) to provide all operating and financial information of Beijing Meelive and its subsidiaries to Inke PRC upon request;
- (ix) where possible, Beijing Meelive shall purchase and maintain such insurance with insurers acceptable by Inke PRC, with insurance coverage in line with insurance generally maintained by companies within the same region and engaging in similar business and owning similar properties or assets as Beijing Meelive;
- (x) not to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Inke PRC;

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## CONTRACTUAL ARRANGEMENTS

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- (xi) immediately inform Inke PRC of any disputes, litigations, arbitrations or administrative proceedings related to the assets, business or income of Beijing Meelive;
- (xii) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of all of its assets by Beijing Meelive or its subsidiaries;
- (xiii) not to distribute any dividend, distributable profits and/or any assets to any Registered Shareholder without the prior written approval from Inke PRC. If the relevant Registered Shareholder receives any such dividends, distributable profits and/or other assets, such Registered Shareholder shall inform Inke PRC in three business days upon receipt of the same and forthwith transfer such benefits received by him/her/it at nil consideration to Inke PRC;
- (xiv) upon request of Inke PRC, appoint any candidate designated by Inke PRC to serve as the director and/or executive director, general manager, chief financial officer or other senior management of Beijing Meelive;

The Registered Shareholders have further undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) save for the equity pledge in favor of Inke PRC created under the Equity Pledge Agreements, the Registered Shareholders shall not allow any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any of their legal and beneficial equity interests held in Beijing Meelive without the prior written approval from Inke PRC;
- (ii) save for the equity pledge in favor of Inke PRC created under the Equity Pledge Agreements, the Registered Shareholders shall not approve at the shareholders' meeting of Beijing Meelive, or procure the board of directors of Beijing Meelive not to approve any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any legal and beneficial equity interests in or assets of Beijing Meelive without the prior written approval from Inke PRC;
- (iii) not to approve at the shareholders' meeting of Beijing Meelive, or procure the board of directors of Beijing Meelive not to approve, any mergers or acquisitions or make investment in any entities by Beijing Meelive, without the prior written approval from Inke PRC;
- (iv) immediately inform Inke PRC of any disputes, litigations, arbitrations or administrative proceedings related to his/her/its equity interest in Beijing Meelive;
- (v) approve and vote in favor of the shareholders' resolutions of Beijing Meelive, or procure the board of directors of Beijing Meelive to approve and vote in favor of any resolutions of Beijing Meelive, concerning the transfer of equity interests pursuant to the this Exclusive Call Option Agreement, and take any other action upon the request of Inke PRC;

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- (vi) each Registered Shareholder shall execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary appropriate defenses against any charges or claims in order to safeguard the equity interests held by him/her/it; and
- (vii) upon request from Inke PRC at any time, unconditionally and promptly transfer the equity interests to Inke PRC or its designated persons;
- (viii) to strictly comply with the terms of the Exclusive Call Option Agreement and any other agreements jointly or severally entered into among Inke PRC, the Registered Shareholders and Beijing Meelive and earnestly fulfill their respective obligations under such agreements and not to take, or omit to take, any actions which may affect the validity and enforceability of these agreements. In any event where the Registered Shareholders retains any rights in the equity interests under this Exclusive Call Option Agreement, the Equity Pledge Agreement signed by the parties to the Exclusive Call Option Agreement, or the Powers of Attorney in favor of Inke PRC, the Registered Shareholders shall not exercise such rights without the prior written approval from Inke PRC; and
- (ix) upon request from Inke PRC, appoint any candidate designated by Inke PRC as a director of Beijing Meelive, and procure the appointment of any candidate designated by Inke PRC to serve as general manager, chief financial officer and other senior management of Beijing Meelive;
- (x) if any Registered Shareholder receives any dividends, distributable profits and/or other assets from Beijing Meelive, such Registered Shareholder shall inform Inke PRC within three business days upon receipt of the same and forthwith transfer such benefits received by him/her/it at nil consideration to Inke PRC.

In addition, pursuant to the Exclusive Call Option Agreement, in the event that any of the Registered Shareholders (other than the Founders) decided to dispose of any equity interests in Beijing Meelive or in the case where offshore holding vehicles of the relevant Registered Shareholders (other than the Founders) decided to dispose of its shareholding interests in our Company and at any time prior to Inke PRC being entitled to hold direct equity interest in Beijing Meelive whilst Beijing Meelive continues to legally operate the Principal Business, each of the Founders shall have the option to request the selling Registered Shareholders to transfer its equity interest in Beijing Meelive to any one of the Founders at nominal consideration.

The Exclusive Call Option Agreement shall expire when all the equity interests in and assets of Beijing Meelive have been transferred to Inke PRC or its designee as specified above, unless and until Inke PRC, at its sole discretion, gives Beijing Meelive and the Registered Shareholders a 30 days' prior written notice of termination.

To ensure that the Registered Shareholders duly discharge their obligations under the Contractual Arrangements, pursuant to the Exclusive Call Option Agreement, each of the Registered Shareholders has already executed an irrevocable power of attorney and deposit such power of attorney at Inke PRC, so that Inke PRC or its designee can be appointed as proxy of the Registered Shareholders to execute the equity transfer



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agreements with respect to their respective shareholding in Beijing Meelive or the asset transfer agreements with respect to the assets of Beijing Meelive and other ancillary documents concerning such transfer(s) and to handling and obtain all relevant approval and registration required under applicable laws and regulations in the event that any Registered Shareholder fails to discharge his/her/its obligations under the Contractual Arrangements.

Each Registered Shareholder also warrants under each of the Exclusive Call Option Agreement that appropriate arrangements have been made to ensure that none of his/her/its successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his/her/its equity interest in Beijing Meelive upon his/her death or incapacity or its liquidation, bankruptcy or dissolution, divorce or any other circumstances that may affect or hinder the fulfillment of the obligations under the Exclusive Call Option Agreement, will not, in any manner and under any circumstances, carry out any act that may affect or hinder the fulfillment of his/her/its obligations under each of the Contractual Arrangements. Please refer to the section headed “Confirmation from the spouse of each of the Registered Shareholders” below for details of the confirmations provided by the Registered Shareholders and their respective spouse.

### **Equity Pledge Agreement**

Inke PRC and the Registered Shareholders and Beijing Meelive entered into the Equity Pledge Agreement on February 14, 2018, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Beijing Meelive to Inke PRC to secure performance of all their obligations and the obligations of Beijing Meelive under the agreements underlying the Contractual Arrangements. If any Registered Shareholder breaches or fails to fulfill the obligations under any of the agreements underlying the Contractual Arrangements, Inke PRC, as the pledgee, will be entitled to foreclose the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, each Registered Shareholders has undertaken to Inke PRC, among other things, not to transfer or otherwise dispose his/her/its equity interests in Beijing Meelive and not to create or allow any pledge thereon that may affect the rights and interest of Inke PRC without its prior written consent.

Under the Equity Pledge Agreement, the Registered Shareholders also represent and warrant to Inke PRC that appropriate arrangements have been made to protect Inke PRC’s interests in the event of death, incapacity, bankruptcy or divorce (in the case of individual Registered Shareholders) or liquidation, bankruptcy or termination (in the case of corporate Registered Shareholders) of the Registered Shareholders or any circumstances that may affect their exercise of the shareholders’ rights to avoid any practical difficulties in enforcing the Equity Pledge Agreement. Please refer to the section headed “Confirmation from the spouse of each of the Registered Shareholders” below for details of the confirmations provided by the Registered Shareholders and their respective spouse.

In addition, Inke PRC is not responsible for any loss to the value of the pledged equity interest during the term of the pledge, the Registered Shareholders shall also have no right to request Inke PRC to compensate for such loss, unless such loss was caused by the intentional act or gross negligence of Inke PRC. In the event of any possible apparent loss to the value of the pledged equity interest, sufficient to threaten the relevant interests of Inke PRC, Inke PRC may represent the Registered Shareholders at any time to auction or dispose of the pledged equity interests. If the value of the shares of Beijing Meelive appreciates, Inke PRC shall have priority in the

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pledge equity interest at the appreciated price at the time the pledge is exercised instead of the time when the Equity Pledge Agreement was entered into.

Moreover, if Beijing Meelive declares any dividend or distribute any income during the term of the pledge, Inke PRC is entitled to receive all such dividends or other income arising from the pledged equity interests, if any. It is also agreed that in the event that the relevant Registered Shareholders subscribed or acquired additional equity interest in Beijing Meelive, then the additional equity interest acquired or subscribed by the relevant Registered Shareholder shall also be pledged in favor of Inke PRC pursuant to the Equity Pledge Agreement.

The Equity Pledge Agreement shall terminate when Beijing Meelive has fulfilled and performed all obligations under the agreements underlying the Contractual Arrangements or upon the termination of the agreements underlying the Contractual Arrangements. Furthermore, the Equity Pledge Agreement shall terminate upon the liquidation and dissolution of Beijing Meelive pursuant to PRC laws and regulations and upon which Beijing Meelive and the Registered Shareholders shall sell all assets, including equity interests, to Inke PRC, at nil consideration or the minimum price permitted by PRC laws and regulations, to the extent permitted by PRC laws and regulations, or the then designated liquidator shall dispose of all of the assets including equity interests, in order to protect the interests of shareholders and/or creditors of the direct or indirect offshore parent company of Inke PRC.

### **Powers of Attorney**

On February 14, 2018, each Registered Shareholder executed an irrevocable Power of Attorney appointing a director of any direct or indirect shareholder of Inke PRC or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen as proxy of the relevant Registered Shareholder to exercise all of their respective shareholders' rights in Beijing Meelive. Pursuant to the Powers of Attorneys, the individuals to be appointed as the Registered Shareholders' proxies shall exclude the Registered Shareholders, any other shareholders of Beijing Meelive and any of their associates. Pursuant to the Powers of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) attend shareholders' meetings and pass any shareholders' resolution of Beijing Meelive, (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Beijing Meelive, including but not limited to the exercise of voting rights in shareholders' meetings, sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Beijing Meelive, (iii) to elect and appoint the legal representative, chairman, directors, supervisors, general manager and senior management of Beijing Meelive, and (iv) to sign documents, minutes of meetings and file any documents to relevant companies registry, and (v) to vote as the Registered Shareholders upon the bankruptcy of Beijing Meelive. The proxy is also authorized to enter into and execute any equity transfer agreement upon the exercise of the call option granted under the Exclusive Call Option Agreement and to secure performance of the other agreements underlying the Contractual Arrangements for and on behalf of the relevant Registered Shareholder.

Under each Power of Attorney, each Registered Shareholder irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which the relevant Registered Shareholder remains as a shareholder of Beijing Meelive. The Proxy shall have the right to re-designate the power of attorney to any other individuals or entities without requiring prior notice to or consent from the relevant Registered Shareholder.

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Our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Registered Shareholders for the purpose of exercising any of their shareholders' rights under the Powers of Attorneys shall be restricted to an authorized director of our Company or a legally-held subsidiary (whom shall own fiduciary duties to us). Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which does not owe any fiduciary duties to our Company. In view of the proposed corporate and management structure of our Group upon Listing, it is proposed that any one of David Cui, Du Yongbo and Li Hui (each an independent non-executive Director), each of whom is independent of the Registered Shareholders and his/her/its respective associates, may be designated to act as the proxy pursuant to the Powers of Attorneys.

### **CONFIRMATION FROM THE SPOUSE OF EACH OF THE REGISTERED SHAREHOLDERS**

Pursuant to the Exclusive Call Option Agreement and the Equity Pledge Agreement, each Registered Shareholder has provided a written confirmation, confirming that appropriate arrangements have been made to ensure that none of his/her/its successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his/her/its equity interest in Beijing Meelive upon his/her death, incapacity, divorce or its liquidation, bankruptcy or dissolution or any other circumstances that may affect his/her/its ability to exercise his/her/its shareholder's rights in Beijing Meelive will carry out any act that may affect or hinder the fulfillment of his/her/its obligations under each of the agreements underlying the Contractual Arrangements to which he/she/it is a party.

On February 14, 2018, each of the spouse of the individual Registered Shareholders, being the Founders, has also provided a written confirmation confirming that he/she will not carry out any act that may affect or hinder the fulfillment of the respective individual Registered Shareholder's obligations under each of the agreements underlying the Contractual Arrangements to which his/her spouse is a party.

### **DISPUTE RESOLUTION UNDER THE CONTRACTUAL ARRANGEMENTS**

Each of the agreements underlying the Contractual Arrangement stipulates that in the event of any dispute arising out of or in relation to the agreements underlying the Contractual Arrangements, the parties shall first negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 15 days, any party may submit such dispute to the CIETAC for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, the language of arbitration shall be Chinese, and the results of the arbitration shall be final and binding on all relevant parties.

In addition, pursuant to the dispute resolution clause, the arbitral tribunal may award remedies over the equity interests or assets of Beijing Meelive, including restrictions over the conduct of business, restrictions or prohibitions over transfer or disposal of the equity interests or assets or order the winding up of Beijing Meelive, and the courts of the PRC (being the place of incorporation of Beijing Meelive and the place where our Company's and Beijing Meelive's principal assets are located), Hong Kong and the Cayman Islands (being the place of incorporation of our Company) shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies over the equity interests or assets of Beijing Meelive.

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Our PRC Legal Advisor confirms that the aforementioned dispute resolution provisions set forth in the agreements underlying the Contractual Arrangements are legally valid and binding on the relevant signatories. However, our PRC Legal Advisor is also of the opinion that the aforementioned provisions may not be enforceable under PRC laws. For instance, CIETAC has no power to grant such injunctive relief, nor will it be able to order the winding up of Beijing Meelive under current PRC laws. In addition, interim remedies or enforcement orders granted by courts in an overseas jurisdiction, such as Hong Kong and the Cayman Islands, may not be recognized or enforceable in China, and Inke PRC may only seek interim remedies or enforcement from competent PRC courts. As a result, in the event that Beijing Meelive or any of the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Beijing Meelive and its subsidiaries and conduct our business, as well as our financial conditions and results of operations, could be materially and adversely affected. Please also see the section headed “Risk Factors — Risks Related to Our Contractual Arrangements — We conduct our business operations in China through PRC Operating Entities by way of contractual arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

### OPERATIONS IN COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group will adopt the following measures to ensure legal and regulatory compliance and to ensure the sound and effective operation of our Group (including Beijing Meelive and its subsidiaries) and the implementation of the Contractual Arrangements upon Listing:

- (i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by our Board after Listing;
- (ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- (iii) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of our Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;
- (iv) the company seals, financial seals, contract seals and crucial corporate certificates of Beijing Meelive and its subsidiaries are kept by our Group’s finance department. Any employee of our Group who wishes to use the seals will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of our Group, as well as approval from relevant department head and vice president and the chief executive officer of our Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed. The business, legal and/or finance departments constitute our Group’s central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of Inke PRC or our Company;
- (v) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has

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agreed to grant a waiver, details of which is set out in the section headed “Connected Transactions” in this prospectus. Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;

- (vi) if necessary, legal advisers and, or other professionals will be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;
- (vii) our independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in our annual report;
- (viii) to avoid potential conflicts of interest, our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Inke PRC and the Registered Shareholders for the purpose of exercising any of the rights originally granted to Inke PRC and/or such designee under the Contractual Arrangements shall be restricted to a legally-held subsidiary of our Company (and which will be under the management control of our Company) or an authorized director of our Company or a legally-held subsidiary (whom shall own fiduciary duties to us) and shall exclude the Registered Shareholders, any other shareholders of Beijing Meelive and any of their associates. Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which does not owe any fiduciary duties to our Company;
- (ix) our Board (including the independent non-executive Directors) will ensure that Inke PRC will only approve and consent to the relevant operating entity carrying out our Principal Business and ancillary business which would otherwise be prohibited or restricted to be carried out by foreign invested entities under relevant PRC laws and regulations;
- (x) our Board (including the independent Directors) will ensure that Beijing Meelive and its subsidiaries shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Inke PRC or any other legally held member of our Group shall be the registered owner of any other newly developed and non-game related trademarks which will be material to the business of our Group; and
- (xi) our Group will unwind the Contractual Arrangements as soon as relevant PRC laws and regulations allow the Principal Business to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

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To ensure that the Registered Shareholders and Beijing Meelive will comply with the Contractual Arrangements, we have decided to further introduce the following measures:

- (i) the three independent non-executive Directors will continue to play an independent role in our Board by reviewing the effective implementation of the procedures and controls referred to above and compliance of our Contractual Arrangements; and
- (ii) going forward, each of Mr. Feng, Ms. Liao and Mr. Hou, being our executive Directors and Registered Shareholders, shall abstain from voting on any resolutions at any board meeting or shareholders' meeting of our Company or Beijing Meelive (as the case may be) in which he/she may have conflict of interest; and
- (iii) in the event of the occurrence of a conflict of interests (where Inke PRC has the sole absolute discretion to determine whether such conflict arises), the relevant Registered Shareholder shall take appropriate measures upon the consent of Inke PRC and its designee to eliminate such conflicts, failing which Inke PRC may exercise, to the extent permitted under PRC laws, the option under the Exclusive Call Option Agreement.

We also believe that Mr. Feng, Ms. Liao and Mr. Hou, being the executive Directors of our Company, will uphold their fiduciary duties in acting in the best interests of our Company and our shareholders as a whole and will also uphold good governance practices to ensure that the Contractual Arrangements will be implemented and operated in accordance with our Group's policies and the terms of the Contractual Arrangements, which our Directors considered that such terms and arrangements are fair and reasonable and in the best interest of our Company and its shareholders as a whole.

### INSURANCE

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in the section headed "Risk Factors — Risks Related to Our Contractual Arrangements". We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, please refer to the section headed "Risk Factors — Risks relating to our Business — Our limited insurance coverage could expose us to significant costs and business disruption" in this prospectus.

### EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over Beijing Meelive and its subsidiaries, is narrowly tailored to achieve our business purposes and to



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protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us and the Registered Shareholders on the following basis:

- (i) under the Powers of Attorney, the Registered Shareholders have irrevocably granted their designees (being an authorized director of any direct or indirect shareholder of Inke PRC or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen but excluding the Registered Shareholders, any other shareholders of Beijing Meelive or any of their associates) the power to exercise all of their respective shareholders' rights in Beijing Meelive. These provisions provide Inke PRC with the powers to determine or change the composition of the board of directors and management team of Beijing Meelive at any time, which in turn provides Inke PRC with the power to control Beijing Meelive without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Beijing Meelive on our Company and our legally-owned subsidiaries;
- (ii) under the Exclusive Call Option Agreement, each of the Registered Shareholders has granted Inke PRC (exercisable by itself or any direct or indirect shareholder of Inke PRC and a direct or indirect subsidiary of such shareholder (i.e. being any member of our Group) or an authorized director (being a PRC citizen) of any such shareholder or its direct or indirect subsidiary as designated by Inke PRC irrevocable options to purchase from the Registered Shareholders all or part of the equity interest in Beijing Meelive at the minimum purchase price permitted under PRC laws and regulations or to acquire from Beijing Meelive all or part of its assets at any time at the net book value of such assets or the minimum purchase price permitted under PRC laws and regulations. These provisions enable Inke PRC to unilaterally appoint members of our Group or an authorized director of a member of our Group (whom shall own fiduciary duties to our Group and shall act in the best interests of our Group) to act as nominee shareholders of its choice to take over the equity interest in Beijing Meelive at any time and thereby ensuring that our Group will continue to maintain our interest in Beijing Meelive upon the exercise of the call option pursuant to the Exclusive Call Option Agreement;
- (iii) under the Equity Pledge Agreement, the Registered Shareholders pledged their equity interest in Beijing Meelive to Inke PRC, and all such pledges have been properly registered with the local counterpart of SAIC as required by the PRC Property Rights Law. The registered pledges effectively prevent the Registered Shareholders from impeding Inke PRC's control over Beijing Meelive by transferring their equity interests in Beijing Meelive to bona fide third parties without Inke PRC's knowledge or approval;
- (iv) the arrangement under the Exclusive Consulting and Service Agreement will ensure that all economic benefits generated from the operations of Beijing Meelive and its subsidiaries will flow to Inke PRC whilst ensuring compliance with applicable PRC laws and regulations and allowing Beijing Meelive and its subsidiaries to continue to maintain and renew the relevant operating licenses and permits as required by relevant PRC government authorities and to operate such value-added telecommunication service and business which are restricted or prohibited to be conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Company and our Group as a whole. The delineation of the assets and staffing between Inke PRC, which shall be



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responsible for driving key business decision-making processes and provide overall business advices and consulting services, and Beijing Meelive and its subsidiaries, which shall be responsible for the operations of the Principal Business and the holding of relevant intellectual properties in compliance with relevant PRC laws and regulations and the conditions of the ICP Licenses granted to Beijing Meelive and its subsidiaries, would allow a proper discharge of the respective responsibilities of Inke PRC and Beijing Meelive under the Contractual Arrangements and also ensure sound and effective operation of our Company and our Principal Business in compliance with the Contractual Arrangements and applicable laws and regulations; and

- (v) under the Exclusive Call Option Agreement, Beijing Meelive has further undertaken to procure that all of its subsidiaries will only be engaged in carrying out the Principal Business and ancillary businesses as approved by Inke PRC and which shall be in compliance with applicable requirements under relevant laws and regulations, rules and guidance from regulatory authorities, approvals and licenses. We, through Inke PRC, will only approve and consent to the relevant subsidiary carrying out such Principal Business and ancillary businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose. In addition to the undertakings given by Beijing Meelive under the Contractual Arrangements, we further undertake to procure all PRC subsidiaries of Beijing Meelive to only carry out such Principal Business and ancillary businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through Beijing Meelive and its subsidiaries under the Contractual Arrangements.

### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisor is of the opinion that each of the agreements underlying the Contractual Arrangements (i) taken individually and collectively, are legal and valid, (ii) do not violate the articles of association of each of Inke PRC and Beijing Meelive, and (iii) are legally binding on and enforceable on the parties of each of the agreements underlying the Contractual Arrangements in accordance with their terms and provisions under applicable PRC laws and regulations, except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of offshore courts, including the courts in Hong Kong and Cayman Islands, to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, and (iv) each of the agreements underlying the Contractual Arrangements does not fall within any of the circumstances under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. In particular, they will not be deemed as “concealing an illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law.

Our PRC Legal Advisor is also of the opinion that the execution, delivery and effectiveness of each of the agreements underlying the Contractual Arrangements do not require any approvals from or filings with PRC

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governmental authorities, except for (i) the equity pledge under the Equity Pledge Agreement, which was properly filed with the local counterpart of SAIC on March 21, 2018, and (ii) any transfer of equity interests in Beijing Meelive pursuant to the terms of the Exclusive Call Option Agreement, which will have to be filed with relevant governmental authorities upon the exercise of the call option under the Exclusive Call Option Agreement.

Notwithstanding the foregoing, the Joint Sponsors, our PRC Legal Advisor and the Joint Sponsors' PRC legal advisor, Zhong Lun Law Firm, conducted an interview with the Beijing Communications Administration (北京市通信管理局) on March 12, 2018, the MOC on March 11, 2018, and Hunan Provincial Municipal Bureau of Press, Publication, Radio, Film and Television (湖南省新聞出版廣電局) on March 19, 2018, respectively, with respect to the Contractual Arrangements.

We have obtained oral confirmation from MOC that, among others things:

- (i) Beijing Meelive is one of the entities regulated by MOC and is required to obtain the Internet Culture Business Permit (網絡文化經營許可證) for the operations of its live streaming platforms and that foreign investors are prohibited from holding equity interests in an entity conducting such business; and
- (ii) if a PRC operating entity and a foreign-invested enterprise entered into a series of contractual arrangements, such contractual arrangements are not subject to any filing or registration requirement or approval from MOC and the contractual arrangement does not conflict with PRC laws and regulations concerning Internet culture services or talent agency services, the MOC has never impose any penalty on any entity that entered into a series of contractual arrangements with an aim to control a domestic company operating in an industry which is prohibited or restricted from foreign investment due to violation of any PRC laws and regulations.

We have also obtained oral confirmation from Beijing Communications Administration that, among others things:

- (i) the entering into and implementation of the Contractual Arrangements is not under the scrutiny of Beijing Communications Administration;
- (ii) when considering applications for the license to conduct telecommunications value-added services and its compliance with the foreign investment restriction or prohibition requirements, Beijing Communications Administration shall strictly consider the equity holding structure of the applicant, and as long as the ultimate beneficial owner of the equity interest in such entity carrying out prohibited business is a PRC national, such contractual arrangements which do not involve any direct equity investment will not be taken into consideration; and
- (iii) the Beijing Communications Administration did not impose any penalty on, nor raise any objection against, any entity that conducts telecommunications value-added services through a series of contractual arrangements.

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In addition, we have obtained oral confirmation from Hunan Provincial Municipal Bureau of Press, Publication, Radio, Film and Television that, among other things:

- (i) foreign investors are prohibited from holding equity interests in any entity conducting and engaging in the provision of online audio and video program services;
- (ii) the entering into and implementation of the Contractual Arrangements is not under the scrutiny of Hunan Provincial Administration of Press, Publication, Radio, Film and Television; and
- (iii) if a PRC operating entity and a foreign-invested enterprise entered into a series of contractual arrangements, such contractual arrangements are not subject to any filing or registration requirement or approval from Hunan Provincial Administration of Press, Publication, Radio, Film and Television and the contractual arrangement does not conflict with relevant PRC laws and regulations, the authority has never impose any penalty on any entity that entered into a series of contractual arrangements with an aim to control a domestic company operating in an industry which is prohibited from foreign investment due to violation of any PRC laws and regulations.

Based on the foregoing, our PRC Legal Advisor is of the view that (i) the Contractual Arrangements are unlikely to be deemed invalid as a result of non-compliance with applicable PRC laws; and (ii) the risk of Inke PRC or Beijing Meelive being imposed administrative penalties by relevant internet cultural, press, publication and broadcasting or telecommunications authorities as a result of the adoption of the Contractual Arrangements is not high. Our PRC Legal Advisor is of the view that each of the MOC, the Beijing Communications Administration (北京市通信管理局) and the Hunan Provincial Administration of Press, Publication, Radio, Film and Television (湖南省新聞出版廣電局) is a competent government authority for the administration of our internet cultural and telecommunications value-added services in which we operate; and the personnel consulted in the interviews are competent and authorized persons empowered with powers to implement and provide interpretation to the relevant laws, regulations and rules of the PRC promulgated by the relevant PRC government authority for the industry in which we operate and to make the aforementioned oral confirmation.

### **Relevance of PRC Supreme Court decision and two arbitration decisions**

In or around September 2011, various media sources reported that the CSRC had prepared a report proposing regulating the use of the VIE structures, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to the VIE structures will be adopted or if adopted, what they would provide.

In addition, several articles, including an article published in early June 2013 on The New York Times and another one on The Economic Observer (經濟觀察報), reported discussions that a recent PRC Supreme Court decision and two VIE structure-related arbitration decisions in Shanghai had cast doubt on the validity of the contractual arrangements for the VIE structure. According to these articles, the PRC Supreme Court ruled in late

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2012 that an entrustment agreement entered into by and between a Hong Kong company and a PRC domestic entity, which was purported to enable such Hong Kong company to make equity investment in a PRC bank through the proxy PRC domestic entity, was void on the ground that this agreement established an entrustment relationship meant to circumvent the PRC laws and regulations that prohibit foreign investment in PRC financial institutions and as such, constituted an act of concealing illegal intentions with a legitimated form. These articles argued that the contractual arrangement in a VIE structure and the entrustment agreement in the cited case were similar in that the contractual arrangements in the VIE structure were also designed to “get around” the regulatory restrictions on foreign investment in certain industries. As such, the articles noted that this Supreme Court decision might increase the uncertainties relating to the PRC government’s view on the validity of the contractual arrangements used in the VIE structure. These articles also reported, without providing sufficient details, that two arbitration decisions by the Shanghai CIETAC invalidated the contractual arrangements used in a VIE structure in 2010 and 2011.

In light of the reported PRC Supreme Court decision and the two arbitration decisions (see “Risk Factors — Risks Relating to Our Contractual Arrangements — If the PRC government finds that the agreements that establish the structure for operating our online business in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Operating Entities”), our PRC Legal Advisor is of the view that:

- (i) in accordance with Section 4 of the PRC Contract Law, which is a section under Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right;
- (ii) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to (a) pass the economic interests received by Beijing Meelive to Inke PRC; and (b) ensure that the Registered Shareholders will not take any actions against the interest of Inke PRC; and
- (iii) the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” such that they shall not be considered as an illegitimate purpose concealed under the guise of legitimate acts under Section 52 of the PRC Contract Law.

### **BASIS OF CONSOLIDATING THE FINANCIAL RESULTS OF BEIJING MEELIVE AND ITS SUBSIDIARIES**

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the Powers of Attorneys, Inke PRC assumes all rights as a shareholder and exercises control over Beijing Meelive, including the right to attend shareholders’ meetings and pass any shareholders resolution of

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Beijing Meelive, exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Beijing Meelive, including but not limited to the exercise of voting rights in shareholders' meetings, sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Beijing Meelive, submit and/or file any documents or information to relevant companies registry, and elect and appoint the legal representative, chairman, directors, supervisors, general manager and other senior management of Beijing Meelive. As a result of these agreements, our Company has obtained control of Beijing Meelive and its subsidiaries through Inke PRC and, under our Company's sole discretion, can receive substantially all of the economic interest returns generated by Beijing Meelive and its subsidiaries.

Under the Exclusive Consulting and Service Agreement entered into by and among Inke PRC and Beijing Meelive, it was agreed that Beijing Meelive shall pay Inke PRC a service fee that equal to the profit before taxation of Beijing Meelive, including all profits attributable to Beijing Meelive of, and any other distributions received by Beijing Meelive from, any of its subsidiaries in any given year but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, expenses and tax of each of Beijing Meelive and its subsidiaries (as the case may be) in any given year. Inke PRC may adjust the service fee payable by Beijing Meelive at its sole discretion and allow Beijing Meelive to retain sufficient working capital to carry out any growth plans. Accordingly, Inke PRC has the ability, at its sole discretion, to extract substantially all of the economic benefit of Beijing Meelive and its subsidiaries through the Exclusive Consulting and Service Agreement.

As there is no change in management of our business for Listing and majority of owners of our businesses remained the same, our Group resulting from the Reorganization (including the entering into of the Contractual Arrangements) is regarded as a continuation of the businesses of Beijing Meelive and its subsidiaries, accordingly, our financial results during the Track Record Period (or where the entity was established on a date later than January 1, 2015, for the period from the date of establishment to December 31, 2017) can be prepared on a combined basis and is presented using the carrying values of the businesses of Beijing Meelive and its subsidiaries for all periods presented.

In addition, our Directors consider that although our Group does not hold any equity interest in Beijing Meelive, our Group has obtained financial and operational control of Beijing Meelive and can receive substantially all of the variable economic interest return from Beijing Meelive through Inke PRC pursuant to the terms of the agreements underlying the Contractual Arrangements. Accordingly, our Directors consider that the Company can consolidate the financial results of Beijing Meelive and its subsidiaries as indirect subsidiaries of our Company under IFRS.

In this regard, our Reporting Accountant, PricewaterhouseCoopers, has issued an unqualified opinion on our Group's combined financial information as at and for the period/years ended December 31, 2015, 2016 and 2017, as included in the Accountant's Report set out in Appendix I to this prospectus. The financial information in the Accountant's Report has combined the financial results of Beijing Meelive and its subsidiaries during the Track Record Period as if they were consolidated subsidiaries pursuant to the Contractual Arrangements. The basis of combining the results of Beijing Meelive is disclosed in note 1(c) to the Accountant's Report set out in Appendix I to this prospectus.

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### DEVELOPMENT IN CHINA LEGISLATION ON FOREIGN INVESTMENT

#### Draft Foreign Investment Law

##### *Background*

The MOFCOM published the Draft Foreign Investment Law (中華人民共和國外國投資法 (草案徵求意見稿)) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. The MOFCOM has solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

##### *Negative list*

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors on the “catalog of special administrative measures” (i.e. the “negative list”). The “catalog of special administrative measures” set out in the Draft Foreign Investment Law classifies the relevant prohibited and restricted industries into the Catalog of Prohibitions and the Catalog of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalog of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, provided that they fulfill certain conditions and apply for permission before making such investment.

However, the Draft Foreign Investment Law does not specify the businesses to be included in the Catalog of Prohibitions and the Catalog of Restrictions.

##### *Principle of “actual control”*

Among other things, the Draft Foreign Investment Law purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or a foreign invested entity or “FIE”. It specifically provides that entities established in the PRC but “controlled” by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the Catalog of Restrictions, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, “control” is defined in the Draft Foreign Investment Law to cover any of the following summarized categories:

- (i) directly or indirectly holding 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

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- (ii) directly or indirectly holding less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but:
  - a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision-making bodies,
  - b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision-making bodies, or
  - c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or
- (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of “actual control”, the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the FIE. “Actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights, and decision-making arrangements. Article 19 of the Draft Foreign Investment Law defines “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or FIEs.

If an entity is determined to be a FIE and its investment amount exceeds certain threshold or its business operation falls within the “catalog of special administrative measures” to be issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

### **Impact of the Draft Foreign Investment Law on VIE**

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. As far as the new VIE structures operating in industry sectors that are in the Catalog of Restrictions are concerned, if the ultimate controlling person(s) of a domestic enterprise under the VIE structure is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens), such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be considered as legitimate. Conversely, if ultimate controlling person(s) is/are of foreign nationalities, such domestic enterprise may be treated as a foreign investor or FIE, and therefore the operation of such domestic enterprise through VIE structures without obtaining necessary permission may be considered as illegal.

Neither the Draft Foreign Investment Law nor its accompanying explanatory notes (the “**Explanatory Notes**”) provides a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective. However, the Explanatory Notes contemplate three possible approaches in dealing with



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FIEs with existing VIE structures and conducting business in an industry falling within the “catalog of special administrative measures”:

- (i) requiring them to make a filing (申報) to the competent authority that the actual control is vested with Chinese investors, after which the VIE structures may be retained;
- (ii) requiring them to apply to the competent authority for certification that their actual control is vested with Chinese investors and, upon verification (認定) by the competent authority, the VIE structures may be retained; and
- (iii) requiring them to apply to the competent authority for permission (准入許可) to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

To further clarify, under the first possible approach, “making a filing” is simply an information disclosure obligation, which means the enterprise does not have to receive any confirmation or permission from the competent authorities, whilst for the second and third approaches, the enterprise has to receive either the confirmation or the access permission from the competent authorities. For the latter two approaches, the second approach focuses on the nationality of the controller, whereas the third approach may take factors in addition to the nationality of the controller (which are not clearly defined in the Draft Foreign Investment Law or the Explanatory Notes) into consideration.

The three possible approaches above are set out in the Explanatory Notes to solicit public opinion on the treatment of existing contractual arrangements, have not been formally adopted and may be subject to revisions and amendments taking into account the results of the public consultation.

Where foreign investors and FIEs circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalog of Prohibitions, or make investments in sectors specified in the Catalog of Restrictions without permission or violate the information reporting obligations specified therein, penalty shall be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalog of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

If foreign investors make investments in the sectors specified in the Catalog of Prohibitions or the Catalog of Restrictions without obtaining necessary permission, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the central government of the PRC at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or in a sum not more than 10% of illegal investments.

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If foreign investors or FIEs are in violation of the provisions of the Draft Foreign Investment Law, including by way of failing to perform on schedule or evading the performance of the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the central government of the PRC at the place where the investments are made shall order them to make rectifications within a prescribed time limit. If they fail to make rectifications within the prescribed time limit or the circumstances are serious, such competent authorities shall impose a fine of not less than RMB50,000 but not more than RMB500,000 or in a sum not more than 5% of the investments.

If foreign investors or FIEs are in violation of the provisions of the Draft Foreign Investment Law, including by way of evading the performance of the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or FIEs and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

### **Status of promulgation of the Draft Foreign Investment Law**

As of the Latest Practicable Date, there was no certainty whether, or timeline when, the Draft Foreign Investment Law will be promulgated and come into effect, and if so, whether it is to be promulgated in the current draft form after it undergoes through further enactment process. Furthermore, the MOFCOM has not issued any definite rules or regulations to govern existing contractual arrangements.

### **Potential impact of the Draft Foreign Investment Law on our Company**

#### *Whether our Company is controlled by PRC entities and/or citizens*

Our Company is under the indirect control of the Founders. See the section headed “History, Reorganization and Corporate Structure” in this prospectus for further details of the interests of the Founders in our Company.

The Founders, each a PRC national, through their respective offshore holding vehicles, namely Fantastic Live Holdings Limited (a company wholly owned by Mr. Feng), Luckystar Live Holdings Limited (a company wholly owned by Ms. Liao) and Horizon Live Holdings Limited (a company wholly-owned by Mr. Hou), together is entitled to exercise voting rights of approximately 30.32% of the total issued share capital of our Company as at the date of this prospectus. In addition, Ms. Liao, through Luckystar Live Holdings Limited, also owns approximately 89.99% equity interest in and controls Generous live LIMITED, whilst Mr. Hou, through Horizon Live Holdings Limited, owns approximately 97.99% equity interest in and controls Evergreen live LIMITED. Each of Generous live LIMITED and Evergreen live LIMITED holds approximately 5.06% of the total issued share capital of our Company as at the date of this prospectus. The Founders are and have been acting in concert when exercising their shareholders’ rights in our Company and Beijing Meelive since the respective dates of incorporation of our Company and Beijing Meelive, and the Founders have always been in consensus and in agreement when exercising their shareholders’ rights when passing shareholders’ resolution of our Company and Beijing Meelive. Accordingly, the Founders (through their respective wholly-owned holding

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companies, Fantastic Live Holdings Limited, Luckystar Live Holdings Limited and Horizon Live Holdings Limited and their respective controlled entities, Generous live LIMITED and Evergreen live LIMITED) are the dominating and controlling shareholders of our company as of the date of this prospectus.

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme) and taking into account Ms. Liao and Mr. Hou's indirect controlling interest in Generous live LIMITED and Evergreen live LIMITED, the Founders are in aggregate by far the largest dominating group of Shareholders, and shall collectively be able to control approximately 40.46% of the total issued share capital of our Company as at the date of this prospectus, and approximately 34.38% of the total issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme).

Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme), the Founders will in aggregate remain as the largest dominating group of Shareholders of the Company and Duomi Online, being the single second largest Shareholder of the Company, is expected to hold approximately 11.67% of the Company's issued share capital.

Moreover, each of the Founders are the key management members of our Group since inception. In particular, Mr. Feng serves as our Chairman and Chief Executive Officer, Ms. Liao serves as a director, legal representative and our Chief Operating Officer and Mr. Hou serves as a director and our Chief Technology Officer and therefore are primarily responsible for overseeing the management and operations of our Company and Beijing Meelive. The Founders have together managed, and continue to manage, our Group in a highly consensual manner. Furthermore, Inke PRC, as a wholly-owned subsidiary of our Company, has entered into the Contractual Arrangements with Beijing Meelive and the Registered Shareholders to control Beijing Meelive.

In view of the foregoing, although the Founders (each a PRC citizen), together, hold less than 50% of the equity interest and voting rights of our Company and Beijing Meelive, they have acted in concert as the largest dominating group of Shareholders of our Company and Beijing Meelive, and hold the voting power to exert material influence over the shareholders' meeting of our Company and our Board. In addition, by serving as the three executive Directors who play top management roles in our Company, the Founders also have the power to exert great control over the management and operations of our Company and Beijing Meelive. Therefore, our Directors are of the view that we shall be able to demonstrate that we are "controlled" by PRC citizens (being the Founders), as the Founders are, and will be, capable of exerting significant influence on the matters to be discussed at the meetings of the Shareholders of the Company. Such voting powers and influence are sufficient to constitute "control" for the purpose of the Draft Foreign Investment Law, and the Company will be considered to be ultimately "controlled" by PRC citizens (being the Founders) under the Draft Foreign Investment Law if it is enacted in its current form. The PRC Legal Advisor is of the view, and based on the PRC Legal Advisor's view,

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## CONTRACTUAL ARRANGEMENTS

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the Joint Sponsors concur that, the Company is considered to be ultimately “controlled” by PRC citizens (being the Founders) if the Draft Foreign Investment Law is enacted in its current form.

To ensure the Contractual Arrangements are likely to continue to be in compliance with applicable PRC laws so that our Group can maintain control over Beijing Meelive and its subsidiaries and receive all economic benefits derived from them, our Founders (as our Controlling Shareholders and the dominating group of shareholders acting in concert and exhibiting the greatest degree of control over the Company) have given an undertaking (the “**Undertaking**”) to our Company, and our Company has agreed with the Stock Exchange to enforce such Undertaking, that during the subsistence of the Contractual Arrangements, they will:

- (i) do all such possible acts that are necessary to give effect to the Contractual Arrangements and/or to enable the continuation of business operations of Beijing Meelive and its subsidiaries as a result of any impact due to the promulgation and implementation of the Draft Foreign Investment Law and other future laws and regulations relating to foreign investment;
- (ii) continue to maintain their, or procure their successors to maintain, Chinese nationality and citizenship for as long as they hold a controlling interest in the Company;
- (iii) continue to act in concert when exercising their shareholders’ rights in the Company and Beijing Meelive during the subsistence of the Contractual Arrangements and for as long as they hold a controlling interest in the Company;
- (iv) obtain prior written consent of our Company as to the identity of the transferee(s) before any of us disposes of or transfers a shareholding interest that may result in such transferee(s) acquiring “control” over our Company (as defined in the Draft Foreign Investment Law (if enacted in its current form without any amendment)); and
- (v) in the event of any transfer or disposal by any of them of a shareholding that may result in the transferee(s) acquiring “control” over our Company (as defined in the Draft Foreign Investment Law (if enacted in its current form without any amendment)), they will (as may be relevant) (a) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the one provided by them to our Company and (b) demonstrate to the reasonable satisfaction of our Company and the Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the Draft Foreign Investment Law (if enacted in its current form without any amendment).

The Undertaking shall become effective from the Listing Date and shall remain effective until the earlier of the occurrence of the following events:

- (i) any of us ceasing to be our Controlling Shareholder and actual controller of the Company or Beijing Meelive;

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## CONTRACTUAL ARRANGEMENTS

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- (ii) compliance with the relevant requirements under the Draft Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this;
- (iii) compliance with the Undertaking is no longer required, as advised by the Stock Exchange; or
- (iv) the Stock Exchange and any applicable Chinese regulatory authority have consented to such termination.

To the extent that only part of the Undertaking is no longer required as a result of any of the events in (ii), (iii) or (iv) of the preceding paragraph occurring, only such part of the Undertaking that is no longer required shall cease to be effective.

Our Company believes that the above arrangement will ensure that control of our Company will at all times be in accordance with the requirements of the Draft Foreign Investment Law if it is finally enacted in its current form.

As advised by our PRC Legal Advisor and based on Undertakings, our Directors are of the view that (i) the Contractual Arrangements are unlikely to be deemed invalid as a result of non-compliance with applicable PRC laws; and (ii) the risk of Inke PRC or Beijing Meelive being imposed administrative penalties by relevant internet cultural, press, publication and broadcasting or telecommunications authorities as a result of the adoption of the Contractual Arrangements is not high.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from Beijing Meelive and its subsidiaries alone may not be effective in ensuring compliance with the Draft Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective).

### ***Whether our Principal Business is on the “catalog of special administrative measures” to be issued by the State Council***

If the operation of our Principal Business is not on the “catalog of special administrative measures” and we can legally operate such business under PRC laws, Inke PRC will exercise the call option under the Exclusive Call Option Agreement to acquire the equity interest of Beijing Meelive and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of our Principal Business is on the “catalog of special administrative measures”, and on the basis that we could demonstrate that we are “controlled” by PRC entities and/or citizens if the Draft Foreign Investment Law is enacted in its current form, Inke PRC may be treated as a Chinese investor and therefore the Contractual Arrangements may be considered as legitimate and we could continue to receive the economic benefits of Beijing Meelive through the Contractual Arrangements. In addition, the financial results of Beijing Meelive and its subsidiaries could continue to be consolidated into our Group’s financial results.

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## CONTRACTUAL ARRANGEMENTS

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### Sustainability of our business

If the new foreign investment law as finally promulgated and the “catalog of special administrative measures” as finally issued mandate further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the foreign investment law then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the worst case scenario, we will not be able to operate the Principal Business through the Contractual Arrangements and will lose our rights to receive the economic benefits from Beijing Meelive and its subsidiaries. In such case, the Stock Exchange may also consider our Company to be no longer suitable for Listing on the Stock Exchange and delist our Shares. See the section headed “Risk Factors — Risks Related to Our Contractual Arrangements”.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Advisor is of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them, and make decisions according to different situations in practice.

Our Company will, after the Listing, timely announce (i) any updates or material changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when they occur and (ii) the event that the new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

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## BUSINESS

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### OVERVIEW

We are a leading mobile live streaming platform in China. We are especially popular among young, active consumers with strong spending power. Our highly engaged users are willing to communicate, interact and share publicly through our platform. Our core product, the Inke App, officially launched in May 2015, had attracted over 194.5 million registered users as of December 31, 2017. According to Frost & Sullivan, we were the second largest mobile live streaming platform in China in terms of revenue in 2017, with a revenue of RMB3,941.6 million and a market share of 15.3%. We were also the largest mobile live streaming platform in China in terms of average monthly active streamers in 2017, and the fourth largest in terms of average monthly paying users in 2017.

People have natural demands for entertainment and companionship. We see mobile live streaming as an advanced form of online interaction to satisfy such demands. We connect viewers with streamers of desirable personalities, appearance or talents, and provide a platform for them to interact with each other anytime, anywhere. Our platform strengthens the bonding among our users through more than 3.3 billion minutes of live streaming facilitated and over 7.8 billion messages communicated on our platform in 2017. Such bonding in turn further enhances our user engagement and stickiness, and helps to attract more aspiring users to our platform.

We are a pioneer in our industry, capitalizing on market opportunities through continuous product innovation. During a three-year span, we have introduced multiple innovative functions including Instant Watch (秒開), Real-time Beautification (實時美顏) and PK (直播對戰), which we believe greatly enhanced our user experience and contributed to the popularity of our platform.

We have demonstrated strong monetization since the very beginning of our operating history. We generate revenue mainly through the sale of virtual items and services on our platform. Our users can purchase Inke Diamonds, the virtual currency on our platform, through multiple payment channels. Inke Diamonds can be used to purchase a variety of virtual items, which our users can give to other users as a gesture of friendship, admiration or support. Users can also use Inke Diamonds to subscribe for or purchase other value-added services to enhance their interaction experiences. The popularity of our platform and the high level of user engagement and attention has also attracted a number of advertisers to our platform, allowing us to further monetize our user base and generate additional revenue. We also plan to vigorously pursue new monetization opportunities in the future.

We have achieved strong financial performance during the Track Record Period. In 2015, 2016 and 2017, we generated revenue of RMB28.7 million, RMB4,334.9 million and RMB3,941.6 million, respectively, and recorded adjusted net profit of RMB1.5 million, RMB568.2 million and RMB792.0 million, respectively. Our adjusted net profit excludes non-cash fair value loss of financial instruments with preferred rights and non-cash share-based compensation expenses. Please refer to the section headed “Non-IFRS Measure” for details.

### OUR MISSION AND VISION

Our mission is to make it easier to pursue happiness (讓快樂更簡單). Our vision is to transform entertainment through video streaming (讓娛樂視頻化).



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### OUR STRENGTHS

As a leader and persistent innovator in the industry, we believe the following key competitive strengths have contributed to our success:

#### **Leading Mobile Live Streaming Platform**

We are a leading mobile live streaming platform in China. According to Frost & Sullivan, we were the second largest mobile live streaming platform in China in terms of revenue in 2017, with a revenue of RMB3,941.6 million and a market share of 15.3%. We were also the largest mobile live streaming platform in China in terms of average monthly active streamers in 2017, and the fourth largest in terms of average monthly paying users in 2017.

Our core application, the Inke App, had a total of 194.5 million registered users as of December 31, 2017, and had 25.2 million average monthly active users in the fourth quarter of 2017. Our leading market position, well-established brand, innovative product design and large volume of diversified content have enabled us to accumulate a large user base and to achieve rapid growth during the Track Record Period.

“All to stream, stream to all” has been our aspiration since our inception, as we believe everyone has the potential to become a streamer. The successful implementation of our aspiration has effectively fueled user expansion and content generation, creating a healthy, closed-loop business model with high operational efficiency.

#### **Highly Engaged User Base with Strong Spending Power**

We connect streamers of desirable personalities, appearance or talents with users seeking entertainment and companionship. Our highly engaged users are willing to communicate, interact and share publicly through our platform. In 2017, our platform facilitated over 3.3 billion minutes of live streaming sessions, with 12.7 billion total views, over 7.8 billion messages communicated, and 203.8 million shares to social media by our users. In addition, we had the highest average daily live streaming time among all the mobile live streaming platforms in China in 2017, according to Frost & Sullivan.

We are especially popular among active consumers in China with strong spending power. According to Frost & Sullivan, as of December 2017, as compared to other mobile live streaming platforms in China, we have:

- the highest percentage of users living in tier-1 and tier-2 cities in China;
- the highest percentage of users with monthly income above RMB10,000; and
- the highest percentage of female users.

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### **Scalable Business Model with Proven Monetization**

We believe that Chinese consumers have placed increasing importance on fulfilling spiritual needs, such as happiness, companionship and peer recognition. With products designed to address such spiritual needs, we provided superior interaction and entertainment experience to our users, encouraged them to spend on our platform and built a successful monetization model. We have achieved an average monthly paying ratio among MAUs of 4.6% in 2017, the highest among all major mobile live streaming platforms in China, according to Frost & Sullivan.

Instead of relying on a limited number of top streamers and paying large-amount upfront sign-on fees to them, we have mobilized a significant portion of our users to become our streamers. Most of our streamers are non-professional performers who have not entered into performing contracts with us or with any streamer agent we cooperate with. Engaging a large streamer base has enabled a great variety of content on our platform, allowing us to retain the vigor of our platform in a cost-effective manner.

We achieved strong monetization since the very beginning of our operating history. Our average monthly AGBPPU increased from RMB190 in 2015 to RMB406 in 2017. We generated positive net profit in each of the years since our inception, adjusted for non-cash fair value loss of financial instruments with preferred rights and non-cash share-based compensation expenses. In 2015, 2016 and 2017, we recorded adjusted net profit of RMB1.5 million, RMB568.2 million and RMB792.0 million, respectively, representing a CAGR of 2,229.1% from 2015 to 2017. Our robust profitability and healthy cash flow also allow us to explore future growth opportunities with great financial flexibility.

### **Persistent Innovator with Convincing Track Record**

We are a pioneer in the mobile live streaming industry. We were first-in-the-market to innovate and introduce multiple trendy functions such as Tri-party Live Chat and Real-time Beautification. We are also the first live streaming platform in China that allows Instant Cash Withdrawal by users. In addition, we constantly launch innovative product features such as PK, Multi-party Live Streaming Room (多人直播間) and Customized Recommendation (千人千面推薦), which received highly positive feedback from our users, and substantially enhanced our user stickiness. For instance, during the first three months after we launched the PK function in September 2017, the average daily streaming time per streamer increased by 29.7%, and the average daily viewing time per viewer increased by 47.8%. During the first week of the A/B tests we conducted for our Customized Recommendation function, the average daily viewing time per user among the group of users who were provided with the recommendation function was 24.7% higher than the average daily viewing time per user of the controlled group who were not provided with such function.

### **Visionary and Experienced Management Team**

Our executive officers have extensive industry experience including business operation, finance, product design and technology development. Our co-founder, chairman and chief executive officer, Mr. Feng Yousheng, has over 16 years of experience in the internet and entertainment industry and is widely regarded as a pioneer and

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constant innovator in the industry. Our senior management members have on average over 13 years of experience in the entertainment, technology and finance industries. We believe that our visionary and experienced management team has been a key factor for our past success, and will continue to lead us in our ongoing pursuit of excellence in the future by effectively and precisely seizing the new and emerging opportunities arising from the fast-changing industry trends.

### **OUR STRATEGIES**

To further solidify our leading position in the mobile live streaming industry in China, we plan to continue the following growth strategies:

#### **Diversify Our Business and Product Offerings**

We pursue a “Live streaming +” strategy to further diversify our business and product offerings to serve users’ needs for entertainment. We plan to bring popular recreational activities online in the form of mobile live streaming. We also plan to launch new stand-alone applications based on our deep user insights, and to build a product matrix with strong synergies.

We plan to selectively provide our streamers with training programs. By offering access to entertainment events and cooperating with other participants in the entertainment industry, we aim to help our popular streamers to gain even more public recognition, including the possibility of breaking into the pan-entertainment industry and become potential new celebrities. We believe these programs also represent market opportunities for our platform to provide value-added services and further expand into the entertainment sector.

#### **Expand Our User Base**

We plan to continue to expand our user base through effective and targeted sales and marketing efforts that broaden our user acquisition channels, including placing online and offline advertisements, sponsoring popular events, and holding our signature annual events such as Goddess Sakura and Mr. Inke. We also plan to further dedicate our resources in nurturing our large and robust streamer pool, and in improving the trainings and data insights we provide to our streamers, so as to attract additional streamers to our platform. In addition, we plan to solidify our presence among tier-1 and tier-2 city users, and to further penetrate into lower-tier cities in China, by developing additional engaging features and functions, as well as new stand-alone applications.

#### **Invest in Technologies to Optimize User Experience**

We will continue to develop technologies to further explore user behaviors and demands. We plan to continue to invest in data transmission, augmented reality and other technologies to provide users with best-in-class experience in mobile live streaming and real-time interactions. In addition, we will continue to invest in the development of our online advertising system. We plan to maintain our technological advantages by continuous investments in research and development, and plan to protect our core intellectual properties by a combination of copyrights and trade secrets.

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### **Strengthen Our Monetization Capability**

We plan to offer more features and functions to increase users' willingness to spend on our platform, based on our understanding of the users' evolving spiritual needs. We plan to further introduce additional value-added services with potentially higher profitability, such as additional subscription-based services or premium products.

We intend to continue expanding our advertising business by further leveraging our large user base and user insights. We plan to further utilize our big data analytics capabilities to effectively serve advertisers and introduce innovative advertising solutions.

### **Seek Strategic Investment and Acquisition Opportunities**

We also plan to strengthen our ecosystem through selective strategic investment and acquisition in the future. We will continue to pay close attention to players in the pan-entertainment industry with high growth potential and convincing synergies with our existing platform, and to explore strategic investment, collaboration and integration opportunities.

## **OUR PLATFORM**

### **Our Core Application**

We officially launched our core application, the Inke App, in May 2015. The Inke App is available for download through Apple's App Store and various Android application stores. We offer an entertaining, fashionable and lively platform for our users to interact with each other on a real-time basis.

As of December 31, 2017, a total of 36.8 million users provided a wide range of performances through live streaming as streamers on our platform, to display their talents, showcase their knowledge and skills, and share their lifestyles. As of December 31, 2017, we had a total of 194.5 million registered users, who can watch our streamers' performances, talk about shared interests, and interact with other users in a variety of ways, including sending virtual items, playing games together, communicating through instant messages or private messages, and competing for prizes real-time.

Streamers and viewers on our platform create a mobile community that enlarges their social circles, and provides them with personalized interactive entertainment experiences.

We provide a variety of features, functions and services to bring our users closer together, enhancing their loyalty and stickiness to our platform, and providing them with more engaging, immersive entertainment experiences.

The following screenshots illustrate the key functions of our Inke App.



1. Content Categories
2. Customized Recommendation
3. Nearby
4. Start Streaming
5. Followed



1. Virtual Item Visual Effect
2. Instant Messages
3. Virtual Item Selection
4. Share
5. Private Messages
6. Guardian Knights
7. Bullet Chat

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The following table sets forth the key operating data of our platform during the Track Record Period:

	As of/For the Period ended December 31, 2015	As of/For the Year ended December 31, 2016	As of/For the Year ended December 31, 2017	As of/For the Quarter ended March 31, 2018
	(in thousands)			
Registered users . . . . .	2,988	148,391	194,509	200,235
Average MASs . . . . .	87	5,385	2,528	925
Average MAUs . . . . .	—	25,190	22,694	25,254
Average MPUs . . . . .	31	2,292	1,030	729
Paying users with annual gross billings below RMB500 <sup>(1)</sup> . . . . .	165	15,973	7,452	1,686
Paying users with annual gross billings between RMB500 and RMB5,000 <sup>(2)</sup> . . . . .	5	599	317	124
Paying users with annual gross billings above RMB5,000 <sup>(3)</sup> . . . . .	0.9	97	83	61
	(%)			
Average next month user retention rate . . . . .	—	49.8	52.2	48.6
	(million minutes)			
Minutes of live streaming sessions . . . . .	47	5,764	3,281	449
	(minutes)			
Average daily streaming time per streamer . . . . .	48	28	37	58
Average daily viewing time per viewer . . . . .	32	30	28	31
	(in RMB)			
Average monthly AGBPPU . . . . .	190	166	406	540
	(in RMB million)			
Gross billings . . . . .	30	4,653	4,172	1,181
Total gross billings contribution by paying users with annual gross billings below RMB500 <sup>(1)</sup> . . . . .	5	622	280	14
Total gross billings contribution by paying users with annual gross billings between RMB500 and RMB5,000 <sup>(2)</sup> . . . . .	7	839	476	52
Total gross billings contribution by paying users with annual gross billings above RMB5,000 <sup>(3)</sup> . . . . .	17	3,192	3,416	1,115

*Notes:*

- (1) Or gross billings below RMB125 in the first quarter of 2018
- (2) Or gross billings between RMB125 and RMB1,250 in the first quarter of 2018
- (3) Or gross billings above RMB1,250 in the first quarter of 2018

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We believe that the decreases in our average monthly active streamers, average MAUs, average MPUs, minutes of live streaming sessions and gross billings from 2016 to 2017 were mainly resulting from (i) the slowdown of the industry-wide growth rate in 2017 following the explosive growth the industry experienced in 2016; (ii) the decline in the activeness of a number of our users after the initial try-out period; (iii) further fragmentation of the mobile live streaming market in China as more companies were attracted to the market. We believe that our average monthly active streamers, average MAUs, average MPUs, minutes of live streaming sessions and gross billings in the first quarter of 2018 were partially negatively affected by the reduced user activities during the Chinese New Year holidays. Please refer to the section headed “Financial Information—Description of Major Components of Our Results of Operations” for more information about the quarter-over-quarter comparison of some of our operating metrics during the Track Record Period.

### **Our Users**

#### *Viewers*

Viewers are the largest group of participants of our ecosystem. They watch the performances of our streamers and interact with the streamers and other users in various ways. As of December 31, 2017, we had 194.5 million registered users on our platform. According to a survey conducted by Frost & Sullivan, as of December 2017, 57.4% of our registered users came from tier-1 and tier-2 cities in China, 76.1% of whom were aged between 18 and 35, 46.5% of whom were female and 35.0% of whom had monthly income of more than RMB10,000.

We believe that viewers are attracted to our platform because of the immersive interaction experiences we offer that satisfy their needs for entertainment and companionship.

#### *Streamers*

Streamers are the primary sources of the content generated on our platform. They provide a wide range of performances in virtual live streaming “rooms,” to display their talents, showcase their knowledge and skills, and share their lifestyles. As of December 31, 2017, we had a total of 36.8 million streamers on our platform, representing 18.9% of our total registered user base.

We believe that streamers are attracted to our platform because it is fun and fashionable to stream on our platform, and because we provide them a channel through which they can express themselves, share their feelings, and interact with other users on a real-time basis. In addition, we also offer them the opportunities to generate income, to gain peer recognition, to become internet celebrities and to potentially enter into the pan-entertainment industry.

Our streamers provide performances such as singing, dancing, instrument performance, drawing, talk shows, and so on, to display their different talents and share their lifestyles. There are also many gaming streamers on our platform, who showcase their game playing skills by broadcasting the images of the games they play.



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To help our users better navigate and find the streamers they like, we have categorized the showrooms based on the primary streaming genres of the streamers. We have a variety of different genres for the showrooms on our platform, including talents, music, modeling, campus, games and so on.

The following chart sets forth the demographic profile of our viewers and streamers:

### Viewers<sup>(1)</sup>

Gender		Age			
Female	Male	Below 18	18-27	28-35	Above 35
46.5%	53.5%	13.8%	57.6%	18.5%	10.1%

### Streamers<sup>(2)</sup>

Gender		Age			
Female	Male	Below 18	18-27	28-35	Above 35
55.3%	44.7%	—	67.2%	22.0%	10.8%

Notes: (1) According to a survey conducted by Frost & Sullivan, as of December 2017.

(2) Among our active streamers in 2017.

### *Easy transition from a viewer to a streamer*

We believe that everyone can be a streamer, and we encourage each of our users to become a streamer. A user can become a streamer on our platform after completing a simple real name certification process.

As of the Latest Practicable Date, we cooperate with Zhima Credit (芝麻信用) for the real name certification process. Historically, we also cooperated with Alipay for such process. After making the application to become a streamer, our user will be automatically redirected to the Zhima Credit website to complete the real name certification process. For overseas users who cannot complete the real name certification process using Zhima Credit, they can provide us with their real names, cell phone numbers, and upload clear pictures of their passports or other identification cards to our system. Our internal certification team will go through the materials provided by them and decide whether such users can be certified.

### *Contractual arrangements with streamers and streamer agents*

Our streamers are bound by our community guidelines and our standard terms of service, which set forth, among other things, the revenues sharing arrangements between the streamers and us, the privacy policy, the anti-money laundering policy, and the ownership of the intellectual property rights in relation to the streaming contents. For certain streamers who we believe have the potential to become internet celebrities or stars, we enter into additional business contracts with them. Such additional contracts are typically negotiated on a case-by-case basis, and may include clauses setting forth, among other things, the minimum number of hours the streamers

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must stream on our platform, the base compensation they can receive, and the revenues sharing economics. Such contracts will normally contain exclusivity clauses forbidding the streamers to stream on other platforms.

We also cooperate with streamer agents who help us establish and maintain relationships with certain streamers, and serve as a communication channel between us and the streamers they manage. We enter into cooperation agreements with streamer agents, which are generally negotiated on a case-by-case basis, and may include clauses setting forth, among other things, the number of streamers to be introduced to our platform, the minimum number of hours the streamers must stream on our platform, and the commissions we pay to the agents. In 2017, only approximately 0.02% of our streamers were agent streamers.

### **Interactions among Our Users**

Our platform enables our streamers and viewers to interact in various ways. For example, streamers interact with the viewers by chatting, sending private or public messages, performing as requested by the viewers, sending “red packets,” and playing social games together. Our gaming streamers interact with their viewers through sharing game-playing tips, discussing strategies, and explaining the moves they make. Streamers may also interact with other streamers through PK, Tri-party Live Chat and other features on our platform.

We seek to design fun and entertaining ways for our users to interact with each other, to enhance user stickiness and experience. Set forth below are examples of some of our most popular interactions among our users.

#### ***Virtual item giving***

One of the most direct ways our users interact with each other is through purchasing and giving virtual items. During the process of various interactions on our platform, each user, whether a streamer or a viewer, can purchase virtual items using Inke Diamonds, and give virtual items to other users as a gesture of friendship, admiration or support. We offer a wide variety of virtual items on our platform. As of the Latest Practicable Date, the prices of our virtual items range from RMB0.1 to approximately RMB13,140. We offer a diverse selection of lower-priced virtual items to attract users to try out our paid services and convert our active users to paying users. Higher-priced virtual items are designed for our loyal users for them to demonstrate their affections towards the streamers, and to gain peer recognition. We also frequently release new virtual items related to current events and popular culture trends to strengthen our users’ sense of freshness.

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The following screenshots illustrate some of the virtual items we offer on our platform:



### “PK” (直播對戰)

We are among the first live streaming platforms to introduce the “PK” feature, according to Frost & Sullivan. This feature enables one streamer to compete against another. Two streamers first connect their showrooms together utilizing our Multi-party Connection technology, and then come up with some simple games to play together during the PK session. The streamer who receives more virtual items from the viewers during such period wins the PK.



1. Inke Diamonds Given by Viewers
2. Countdown
3. Content Monitoring Notice

We believe that PK is a great example of how we satisfy users' spiritual needs, including entertainment, companionship, accomplishment and peer recognition. For our streamers, while showcasing their talents and performing for the viewers is fun enough, playing games with, and at the same time competing against, other streamers is an interesting and exciting addition. PK allows them to know their peers, and to get additional exposures to the viewers in other showrooms. For our viewers, PK creates a great opportunity for them to show their support for the streamers they like, bonding them closer to the streamers as they team up and compete with the team led by other streamers. PK also creates a great incentive for the streamers to generate high quality content in order to win the support of their fans, thereby improving the experience of our viewers.

As of December 31, 2017, three months after the launch of the PK feature, our platform has facilitated over 12.8 million PK sessions among our users. During such three months, the total value of the virtual items given increased to RMB1,224.0 million, as compared with RMB751.9 million during the three months prior to the launch of the PK feature, representing a 62.8% increase. The total value of the virtual items given during PK sessions amounted to approximately RMB689.5 million, the average daily streaming time per streamer increased from 37 minutes to 48 minutes, and the average daily viewing time per viewer increased from 23 minutes to 34 minutes.

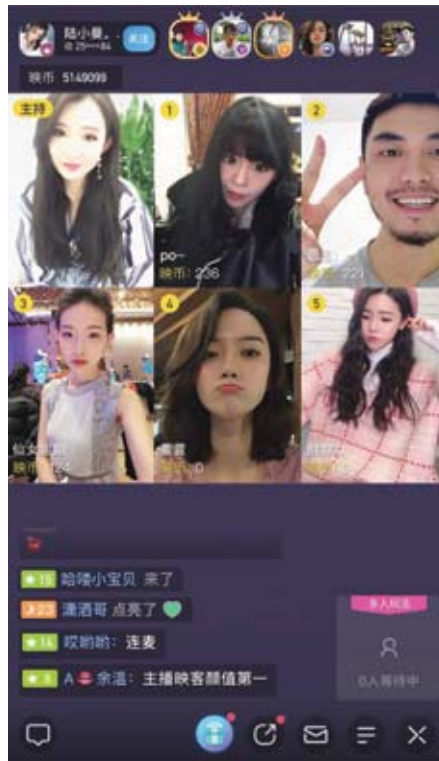
***Tri-party Live Chat (三連麥)***

We launched the Tri-party Live Chat feature in May 2016. This feature allows viewers to apply and queue to live chat with the streamers. After a streamer accepts a live chat request, the screen of such selected viewer will also show up in the streaming room and can be seen by the streamer and other viewers. The streamer and up to two selected viewers can chat about their common interests, play games or perform together, and interact with other users in the streaming room.

The Tri-party Live Chat feature gives the viewers a chance to be seen by, and to directly interact with, the streamers they like. We believe this feature can significantly enhance the feeling of companionship of our viewers.

***Multi-party Live Streaming Rooms (多人直播間)***

We pioneered the industry in introducing the “Multi-party Live Streaming Rooms” feature, according to Frost & Sullivan. Leveraging our Multi-party Connection technology, our platform can support up to six streamers to stream in one streaming room at the same time. The streamers can conduct group discussions, perform together or compete against each other for prizes.



***Radio broadcasting***

We offer a radio broadcasting feature on our platform. Users can establish radio broadcasting rooms to interact with their audiences. Unlike regular showrooms, other users cannot see the streamers in radio

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broadcasting rooms but can only hear their voice. Radio broadcasting rooms allow people who may be shy to also share and interact with other people with common interests. We were also able to attract a number of professional broadcasters to open radio broadcasting rooms and stream on our platform.

### OUR BUSINESS MODEL

#### Live Streaming Business

We generate most of our revenues from the operation of live streaming business. In 2015, 2016 and 2017, revenues generated from the operation of live streaming business contributed to 94.6%, 99.8% and 99.4% of our total revenues.

We have a proven track record of driving monetization through highly engaging interactive entertainment experiences. Our best-in-class live streaming content and innovative online-to-offline events have been highly effective in attracting and engaging a vibrant base of paying users.

#### *Operation Procedure of Our Platform*

Our Inke App is free to download and access from various application stores, including Apple's App Store and various Android application stores, through users' mobile devices.

Users on our platform can purchase Inke Diamonds, our virtual currency, and use Inke Diamonds to purchase virtual items and other value-added services on our platform. Users can purchase Inke Diamonds directly from our Inke App, or our flagship store on *TMall.com*, using bank wirings or third-party payment channels such as WeChat Pay, Alipay and Apple.

When a user receives a virtual item, our system will automatically convert the virtual item into the corresponding amount of Inke Coins, which will be deposited in the account of such user on our platform. We also reward our streamers additional incentive Inke Coins in accordance with our Inke Coin reward policies, which typically calculate the additional reward our streamers are entitled to base on a number of factors such as the duration of their live streaming sessions during the relevant period. The Inke Coin reward policies are determined by us at our sole discretion, and are published on our platform on a monthly basis.

We generate revenue from the sale of Inke Diamonds, and record revenue on a gross basis. Proceeds received from users from the sale of Inke Diamonds are recorded as deferred revenue. If the Inke Diamonds are used to purchase virtual gifts, revenue is recognized immediately after the virtual gifts are purchased and given to other users. If the Inke Diamonds are used to purchase virtual services such as Guardian Knights, which enable users to enjoy certain special privileges over an extended period of time, the revenue is recognized ratably over the beneficial period.

#### *Cash withdrawal*

Individual streamers can withdraw cash he or she earns on our platform at any time. After an individual streamer has accumulated a minimum amount of Inke Coins and makes an application to withdraw money, we

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exchange the Inke Coins he or she choose to withdraw into Renminbi at an exchange rate we set, and transfer the corresponding Renminbi amount using third party payment channels such as WeChat Pay or bank wiring. During the Track Record Period, the exchange rate between Inke Coins and RMB at the cash withdrawal stage was 32 Inke Coins for one RMB Yuan. We limit the maximum amount of cash a user can withdraw in a single day based on the “experience” such user accumulated on our platform. For example, a user who has streamed on our platform for less than one hour, and therefore accumulated little “experience” on our platform, may only withdraw RMB20 in a single day. A user with higher experience level can withdraw a higher amount, with the maximum withdrawal amount set at RMB3,000 per day. For the first RMB20,000 cash withdrawals in a calendar month, we do not charge the user transaction fees for such cash withdrawals. For the portion of cash withdrawals above RMB20,000, we charge the relevant user a transaction fee equal to 5% of the withdrawal amount.

For agent streamers, unless otherwise agreed by the parties, our platform will settle the payments with streamer agents on a regular basis based on the cooperation agreements we entered into with them, who will then settle the payments with the streamers they manage.

The amount paid to individual streamers and/or the streamer agents who manage the relevant streamers (collectively, the “streamer costs”) are accounted for as cost of revenues.

Under the basic revenue sharing scheme between us and our streamers, we share with our streamers approximately 31% of the total value of the virtual gifts received by them. Considering the fact that we also rewarded our streamers additional incentive Inke Coins based on our Inke Coin reward policies, the actual revenue sharing percentage with our streamers would be higher. During the Track Record Period, our streamer costs as a percentage of our revenue from our live streaming business was approximately 55%.

The following chart sets forth a list of our top five streamers in terms of the streamer costs we incurred during the Track Record Period:

	2015	2016	2017
	(in RMB thousands)		
No. 1 . . . . .	145	12,893	22,488
No. 2 . . . . .	88	12,850	16,781
No. 3 . . . . .	81	8,122	8,841
No. 4 . . . . .	74	7,707	8,590
No. 5 . . . . .	62	7,663	8,176
<b>Total</b> . . . . .	<b><u>452</u></b>	<b><u>49,235</u></b>	<b><u>64,876</u></b>

The total value of the virtual gifts received by the top five streamers amounted to RMB1.3 million, RMB82.9 million and RMB104.1 million in 2015, 2016 and 2017, respectively.

We have not entered into any separate business contract with any of the top five streamers in 2015, 2016 and 2017. As such, they were only bound by our community guidelines and our standard terms of service, which did not contain exclusivity clauses.



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### Advertisement Business

Leveraging our large user base, we offer advertising services to advertisers in different industries. We provide our advertising services in a variety of forms, including display advertisements such as banner or button advertisements on the front page or other places on our Inke App, verbal advertising by streamers, and icon or text advertisements in streaming rooms. In addition, we also organize promotional campaigns for certain advertisers, for example, by coordinating with streamers to display the products or brands of the advertisers while streaming, designing special virtual items or customized red packages (紅包) themed after the brands of the advertisers, offering sponsor-named streaming rooms, and so on.

We enter into advertising service agreements with the advertisers directly, or through advertising agents. The agreements with advertisers or advertising agencies are generally negotiated on a case-by-case basis, and typically set forth the duration of the promotional campaign, the services requested by the advertisers, and the pricing terms.

We believe that advertisers were attracted to our platform because of our large user base, and the high level of user engagement and attention. We believe that products or brands recommended by streamers who our viewers admire or support, and with whom our viewers had established personal bonding, would be easier for our users to accept. We seek to cooperate with the advertisers to design advertisements that are interesting and engaging, thereby further enhancing our user experience. We are also working on helping the advertisers to easily target special cohorts of users by analyzing their geographic locations, gender, age, type of devices used, and viewing behaviors.

### CUSTOMERS

For our live streaming business, our customers are our users, who buy virtual items and other services we offer, and interact with other users. Revenues generated from our largest customer for our live streaming business accounted for approximately 2.1%, 0.4% and 1.0% of our total revenues for 2015, 2016 and 2017, respectively. Revenues generated from our top five customers for our live streaming business accounted for approximately 5.8%, 1.5% and 3.7% of our total revenues for 2015, 2016 and 2017, respectively.

For our online advertising business, our customers are advertisers who purchase display advertisements on our platform or cooperate with our platform to organize their promotional campaigns. The revenue generated from our advertisement business was insignificant as compared to our total revenue, and the number of our advertiser customers was insignificant as compared to the total number of our customers. Therefore, although the revenue generated from our advertisement business had been concentrated on a few advertisers during the Track Record Period, we do not rely on any particular customer.

Our Angel Investor, Duomi Online (formerly known as Beijing Caiyun Zaixian), was our largest customer in 2015. Revenue generated from Duomi Online accounted for approximately 5.4% of our total revenue in 2015. Such revenue was generated in relation to certain technology support and management services we provided to Duomi Online, and was recorded as revenue from other business in our combined statements of comprehensive

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income. The services provided to, and the fees we charge, Duomi Online, were negotiated in arms' length. We stopped providing such technology support and management services after 2015. Other than Duomi Online, during the Track Record Period, none of the customers contributed more than 5% of our total revenue, and to the best knowledge of our Directors, none of the top five customers during the Track Record Period is a connected party of our Company.

### SUPPLIERS

Our streamers and streamer agents are major groups of our suppliers. Implementing our aspiration of “all to stream, stream to all,” we seek to motivate each of our users to perform as streamer and established a large and robust streamer base. As such, we do not rely on any particular streamer or streamer agent.

Other than streamers and streamer agents, our suppliers primarily include payment channels and service providers for server hosting and bandwidth leasing.

In 2015, 2016 and 2017, purchases from our largest supplier accounted for 5.3%, 3.4% and 2.6% of our total purchases, respectively, and purchases from our largest five suppliers accounted for 15%, 9.9% and 8.5% of our total purchases, respectively. On average, we have two years of business dealings with our major suppliers. All of our five largest suppliers are independent third parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers that is required to be disclosed under the Listing Rules. To the best knowledge of our Directors, none of our suppliers during the Track Record Period is a connected person of our Company.

We typically have at least two candidates for each type of our suppliers, to minimize any potential disruption in our operations, to maintain sourcing stability, to avoid over-reliance risk, and to secure competitive prices from suppliers. During the Track Record Period, we did not experience any interruption of supply or early termination of supply agreements that had any material adverse impact on our business or results of operations.

We also seek to control our procurement costs by strengthening our internal controls. Our employee handbooks contain anti-bribery clauses. To the best knowledge of our Directors, they do not receive any kickback from our suppliers. Likewise, to the best knowledge of our Directors, all of our suppliers are independent from and do not pay any kickbacks to the members of our Company.

### Distribution Channels for Our App

Our Inke App can be downloaded for free from various application stores, including Apple's App Store and various Android application stores.

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The table below sets forth our average MAUs by different distribution channels in 2016 and 2017:

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
	<u>2016</u>				<u>2017</u>			
	(in thousands)							
Apple . . . . .	4,302	11,240	14,020	13,814	10,221	9,995	9,736	10,040
Android . . . . .	<u>11,067</u>	<u>14,348</u>	<u>15,778</u>	<u>16,192</u>	<u>11,903</u>	<u>10,306</u>	<u>13,429</u>	<u>15,144</u>
<b>Total . . . . .</b>	<b><u>15,370</u></b>	<b><u>25,588</u></b>	<b><u>29,798</u></b>	<b><u>30,006</u></b>	<b><u>22,124</u></b>	<b><u>20,302</u></b>	<b><u>23,165</u></b>	<b><u>25,184</u></b>

We are required to comply with the standard terms and conditions of the various application stores. Pursuant to Apple’s standard terms and conditions, for all transactions made through it, Apple charges 30% of the total transaction amount. Apple also has the right to remove our apps from their App Store with or without notice if we violate their terms and conditions. Other application stores typically do not charge transaction processing fees, but have similar rights to remove our app from their stores if we violate their terms and conditions.

Historically, our Inke App was temporarily removed from Apple’s App Store in January 2016 for a period of approximately two months, because of alleged violations of Apple’s terms and conditions, but no further reason or explanation of the removal was provided by Apple. While we did not have absolute clarity as to the reasons for such removal, we took the initiative to make certain modifications to our Inke App, including the removal of in-app links to third party payment channels. During the period of such removal, people were no longer able to download the Inke App from Apple’s App Store, but our existing users were able to continue to access the Inke App and to make payments through Apple and other payment channels. See “Risk Factors — Major mobile application distribution channels may interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us” for more details.

### QUALITY CONTROL AND CONTENT MONITORING

We monitor the content generated by our users to maintain a healthy ecosystem, and to ensure compliance with PRC laws and regulations.

#### Content Monitoring Standards

All participants on our platform are required to abide by our terms of service, which strictly prohibit inappropriate content across our platform. Our community guidelines set forth the prohibited content and actions in details, such as provocative or inflammatory languages, full or partial nudity, sexually suggestive language and body movements, abusive language or actions towards other users, spam, scams, acts and threats of violence, and information facilitating or promoting illegal transactions or activities.

#### Content Monitoring Technologies

A snapshot is taken for each streaming showroom every now and then. We then conduct automatic screenshot examinations utilizing our advanced and proprietary screening technology, which is able to

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automatically detect indecent or inappropriate contents. Screened contents will be sent to our monitoring center for further scrutiny by us. We also have an automatic system in place for detection of sensitive and/or inappropriate words and phrases. If we detect a user is using sensitive or inappropriate words, whether in his or her user profile, private messages or bullet chats, we will immediately delete the words and phrases, and our content monitoring team will further scrutinize the behaviors of the violating user to decide whether additional actions need to be taken towards such user.

### **Content Monitoring Staff**

We have a dedicated content monitoring team composed of 78 members in Changsha, Hunan Province, who are in charge of promptly and accurately detecting violations of our terms of service and enforcing our internal policies to ensure the compliance of the content appearing on our platform with applicable laws and regulations. They cooperate with our technical support team in Beijing and monitor the contents generated by our users. These employees are trained to identify potential violations of our terms of service and to assess the necessary actions to be taken in response to these violations. Their responsibilities include further reviewing potential violations (taking additional screenshots of or recording the streaming sessions, if necessary), categorizing the screenshots or recordings, and taking actions in accordance with our community guidelines and terms of services. Additionally, we also arrange for our content monitoring staff to randomly check the streaming rooms on our platform 24 hours a day, seven days a week for violations, adding another layer of manual monitoring. Our staff is required to take immediate action upon identifying any potential violation.

### **Self-regulation by Room Participants**

Streamers are also responsible for monitoring the content in their rooms and ensuring that their rooms' content comply with applicable laws and regulations and our terms of service. Streamers are incentivized to ensure the compliance of their room participants with our terms of service, as rooms that have repeated violations may be closed temporarily or permanently. In addition, the users have the ability to report any incompliance of our terms of service or other inappropriate behaviors via the "report" button.

### **Actions taken after Violations are Identified**

If our content monitoring team notices any violation by our streamers or viewers, they will take the following actions:

For minor violations, our content monitoring team will give warnings to the violating users, and continue monitoring their actions. If a violating user stops the inappropriate behaviors, he or she may continue using our platform freely; if the violation continues, the user will be temporarily suspended from streaming, uploading video clips or sending messages on our platform, but may continue using our platform as a viewer. The period of the suspension varies from two hours to one year, depending the seriousness of the violation.

For zero-tolerance violations such as acts or threats of violence, nudity, use of illegal drugs, or making politically sensitive or inflammatory comments, a violating user will be permanently suspended from accessing our platform, and all the virtual currency and items in the user's account will be forfeited.

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If a user believes that the decision made by our content monitoring team was wrong, he or she can appeal the decision by contacting our customer service team, who will direct their cases to the moderation panel of our content monitoring team. The moderation panel will conduct a new round of review, and upheld or reverse the original decision based on the results of their review.

As a result of our content monitoring efforts, during the Track Record Period and up to the Latest Practicable Date, we did not receive any warnings from, nor were any fines imposed on us by, government authorities for having inappropriate or illegal content on our platform.

### CUSTOMER SERVICE

We strive to provide best-in-class customer service on our platform, which we believe is the core of customer relationship management. We have a dedicated team of over 31 customer service personnel as of December 31, 2017. Our customer service personnel provide support through telephones or online communication channels, such as instant messages on our platforms. Our customer service team helps our users with issues they encounter on our platform, gathers feedback on how to improve our services and responds to customer complaints and suggestions. To ensure consistent and high quality service, we provide comprehensive training programs to our customer service team.

We started to record customer complaints since 2016. Our customer service team recorded 24 and 26 customer complaints in 2016 and 2017, respectively, based on our internal records. The complaints we received from customers during the Track Record Period generally involved online payments, cash withdrawals, and the availability or stableness of the functions provided by our platform. We believe it is not uncommon for companies in our industry to receive such customer complaints, and the number of customer complaints we received were small, considering the size of our user base. We view these complaints as means to help us consistently improve our service. We strive to resolve all complaints received within 24 hours, and we actively follow up with the customers to ensure their satisfaction. During the Track Record Period, over 95% of the complaints received were satisfactorily resolved within 24 hours, and we did not experience any complaint from customers that had any material adverse impact on our brand, our business or results of operations.

### TECHNOLOGY

We have a dedicated team of highly-skilled engineers, computer scientists and technicians whose expertise spans a wide range of areas.

We invest significant resources in our research and development and technology infrastructures. Our advanced technology infrastructure and capabilities allow us to efficiently and effectively address the technical challenges associated with providing our services. We have accumulated extensive experience in image processing, real time voice and video streaming, multi-party concurrent connections, data security and big data analytics and processing.

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### **Instant Watch (秒開)**

We pioneered our industry with the use of our proprietary Instant Watch technology, which greatly reduces the loading time of video and audio contents, and allows our users to start watching immediately after entering a streaming showroom.

We use a routing algorithm that optimizes the delivery of audio and video data across our cloud-based network, enabling us to provide high quality audio and video transmissions while minimizing the bandwidth used and the possibility of data loss. We also developed our proprietary performance optimization tool, which conducts targeted analyses based on the different devices and internet service providers used by our users, and their real-time network connection quality, allowing us to minimize the CPU and memory occupancy, as well as battery power consumption, of the mobile devices of our users.

### **Customized Recommendation (千人千面推薦)**

Leveraging our rich data resources through AI technology, we collect and analyze data on viewers and streamers across our platform, enabling differentiated data-driven decision making and operations. Based on analytics on long term user behavior data, we are able to effectively match and connect viewers with streamers based on their common interests, and enable streamers to become easily exposed and connected to potential supporting viewers. We have also developed the “Explore and Exploit” mechanism based on the Wilson Interval algorithm, to make sure the contents we recommend to our users are not monotonous. We run A/B tests on an ongoing basis to continuously optimize the Customized Recommendation function. The implementation of Customized Recommendation has successfully promoted engagement of both our viewers and streamers. During the first week of the A/B tests we conducted for our Customized Recommendation function, the average daily viewing time per user among the group of users who were provided with the recommendation function was 24.7% higher than the average viewing time per user of the controlled group who were not provided with such function.

### **Content Monitoring**

See “Business — Quality Control and Content Monitoring — Content monitoring technologies.”

### **Security**

All of our user data is encrypted and saved in at least two different places within our internal servers, protected by access control, and further backed up in our long-distance recovery system, so as to minimize the possibility of data loss. When transmitting data packs, we use the free encryption protocol we developed, to minimize the risk of data hacking or hijacking. Once a hacking attack is detected, our technical team will immediately coordinate with the local supporting staff of the relevant server provider to diagnose and solve the relevant technical problems. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material network disruptions or incidents of hacker attacks.

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We cooperate with third party providers for cloud storage and content distribution network, or CDN, infrastructure. We purchase cloud services from third party providers such as AliCloud for data storage, computing and management, and the providers maintain a virtual infrastructure to keep our data available, accessible and safe. We rely on CDN operators to deliver the internet content to our users. We engage multiple cloud services providers and CDN operators to prevent disruption to our operation if any technical problem occurs.

### RESEARCH AND DEVELOPMENT

We believe that our ability to develop features, functions and services tailored to the needs of our user base has been a key factor for the success of our business. We have been able to rapidly scale our product development output and deliver an increasing range of products and services to satisfy the constantly changing user needs and to enhance our user experience. To maintain and enhance our market leadership position, we will need to continue to invest in research and development in order to enhance the functions and features of our products and services.

As of December 31, 2017, we had 368 technology, research and development employees. Our technology, research and development personnel have an average of five years of industry experience. As of December 31, 2017, 63.9% of our technology, research and development team holds bachelor's degrees and 12.8% holds master's degrees or above.

During the Track Record Period, our research and development teams undertook over 20 major development projects, and successfully developed, among other things, (i) technologies such as Multi-party Connection and Instant Watch, which allowed real time interactions by users while greatly reduced the loading time of video and audio contents, thereby enhanced user experience; (ii) engaging functions and features such as PK and Tri-party Live Chat, which improved user stickiness and our monetization capabilities; (iii) AI and big data based features such as Customized Recommendation, which helped us in better understanding our users, and in improving the user experience; (iv) advanced content monitoring systems, which ensured the legal compliance of our platform in cost-efficient manners; and (v) effective advertising system, which allowed us to efficiently satisfy the needs of our advertising customers.

### SALES AND MARKETING

We implement various marketing and promotional measures to promote our platform as well as its participants.

We hold different offline marketing activities to enhance our brand recognition, to attract new users to our platform, to increase user stickiness, and to promote participation on our platform. For example, we held Goddess Sakura (櫻花女神) event in May 2017 and Mr. Inke (映客先生) event in November 2017. In these events, we brought our popular streamers and top customers together so that they can interact with each other face to face. The events achieved tremendous success, and attracted the attention of various mainstream media, which not only promoted our brand and platform, but also allowed our streamers to gain greater media exposure and fame. We plan to keep holding the Goddess Sakura and Mr. Inke events annually going forward.



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In addition to offline events, we promote our platform and attract new users through online advertisements and keyword searches on major internet portals and application stores. We also utilize traditional advertising channels such as outdoor advertisements in buildings. In addition, we launched a series of brand promotional videos that were shown in cinemas, and collaborated with a series of shows that are popular among the younger generation.

### COMPETITION

We are subject to intense competition from providers of similar services as well as potential new types of online services. Our competitors in the mobile live streaming industry in China primarily include Momo, YY Live, Douyu and Huya. In addition, certain other players in the internet industry in China such as Kuaishou and Toutiao also established their live streaming businesses. We believe that our ability to compete effectively depends upon many factors, including the size, composition and engagement of our user base, our ability to adjust to rapid advancements in technology and consumer tastes, our advertising targeting capabilities, our marketing and selling efforts, and the strength and reputation of our brand.

For risks relating to our competitiveness in the industry, please see “Risk Factors — Risks Related to Our Business — The markets in which we operate are highly competitive, and we face competition in several major aspects of our business. If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.”

### INTELLECTUAL PROPERTY

We seek to protect our intellectual property rights through a combination of trademark, copyright and trade secret protection laws in China and other jurisdictions, as well as through confidentiality agreements.

As of the Latest Practicable Date, we had registered (i) 40 key domain names, (ii) 50 software and other copyrights and (iii) 143 trademarks in China. As of the Latest Practicable Date, we also had 11 pending trademark applications in Hong Kong.

During the Track Record Period, no material claims or disputes were brought against us in relation to any infringement of trademarks, copyrights or other intellectual property.

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### EMPLOYEES

We had 43, 350 and 717 employees as of December 31, 2015, 2016 and 2017. As of December 31, 2017, none of our employees were located outside of the PRC. As of December 31, 2017, we did not use any third-party labor dispatch service provider and all of our employees were directly employed by us. The following table sets forth a breakdown of our employees by function as of December 31, 2017:

Function	Number of full-time employees	Percentage
Technology, research and development . . . . .	368	51.3
Business operations . . . . .	103	14.4
General and administrative . . . . .	91	12.7
Content monitoring . . . . .	78	10.9
Sales and marketing . . . . .	46	6.4
Customer service . . . . .	<u>31</u>	<u>4.3</u>
<b>Total . . . . .</b>	<b><u>717</u></b>	<b><u>100.0</u></b>

Our success depends on our ability to attract, retain and motivate qualified personnel. We adopt high standards in recruitment with strict procedures to ensure the quality of new hirings and use various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through headhunter firms or agents, to satisfy our demands for different types of talents. We provide robust training programs for our employees, which we believe are effective in equipping them with the skill set and work ethics that we require.

As required by PRC laws, we participate in mandatory employee social security schemes that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing provident funds. We and our employees are required to bear the costs for the social security scheme in proportion to a specified percentage. We are required under PRC law to make contributions to employee social security plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. The total amount of contributions we made for defined contribution retirement schemes and other social security costs, housing benefits and other employee benefits for 2015, 2016 and 2017 were approximately RMB0.5 million, RMB16.4 million and RMB50.9 million, respectively.

We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with all of our executive officers and the vast majority of our employees. These contracts typically include a non-competition provision effective during and up to one year after their employment with us and a confidentiality provision effective during and after their employment with us.

Our employees have not formed any employee union or association. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

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### HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

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

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

### PROPERTIES

We occupy certain properties in China. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our headquarters and offices. Our headquarters are based in Beijing, and we have 5 offices in Changsha, Hunan Province. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2017, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

As of the Latest Practicable Date, we leased or otherwise legally occupied for commercial use 16 properties in Beijing, Shanghai, Hunan, Zhejiang and Jiangsu Provinces, with an aggregate gross floor area of 10,920.62 square meters. We believe that there is sufficient supply of properties in China and we do not rely on the existing leases for our business operations.

As of the Latest Practicable Date, with respect to seven of our leased properties, the relevant lessors had not provided us with valid property ownership certificates. All such leased properties were used as offices. The absence of the property ownership certificate limited our ability to determine whether the lessors have the right to lease the properties to us, and if any of the lessors is not the legal owner and had not been duly authorized by the legal owner, the relevant lease agreements may be deemed invalid, and as a result, we may face challenges from the legal owners of the properties or other third parties, and may be forced to vacate the relevant properties and relocate our offices.

As advised by our PRC Legal Advisor, in the event any of the relevant lease agreements be deemed invalid or otherwise unenforceable because the relevant lessor is not the legal owner and has not been duly authorized by the legal owner of the relevant property, we shall have the right to claim against the relevant lessors for all the damages we suffered. In addition, our Founders had agreed to indemnify us for any losses, damages, costs and expenses arising out of or in connection with vacating the properties and relocate our offices. Based on the above, our PRC Legal Advisor is of the view that our business operation will not be adversely and materially affected as a result of the absence of property ownership certificates.

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In addition, based on our market research, we believe that alternative premises for offices are readily available on similar terms and conditions and at similar locations. We have adopted a relocation plan, and we believe we can quickly relocate our offices in the event we were required to vacate from any of the premises. We currently estimate that the cost of relocating an office will be approximately RMB100,000, and we do not expect there will be any material loss of revenue during the period of such relocation. Based on the estimated cost and time required for the relocation, and the advice of our PRC Legal Advisor above, we do not expect that our operations or financial condition will be materially disrupted due to a forced relocation.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. The registration of such leases will require the cooperation of the lessors. We have been continuously following up and monitoring the registration status of all the leases we enter into, and we have proactively requested the lessors of the relevant properties to complete or cooperate with us to complete the registration procedures in a timely manner. However, as of the Latest Practicable Date, we had not obtained any lease registration for the 14 properties we leased in China. As advised by our PRC Legal Advisor, a fine ranging from RMB1,000 to RMB10,000 may be imposed on us for each non-registered lease. The estimated total maximum penalty is RMB140,000. However, the lack of registration will not affect the validity and enforceability of the lease agreement. Based on the above, our PRC Legal Advisor is of the view that our business operation will not be materially and adversely affected as a result of the non-registered leases. We plan to take all practicable and reasonable steps to ensure that the unregistered leases are registered.

## INSURANCE

We believe we maintain insurance policies covering risks in line with industry standards. We do not maintain property insurance or business interruption insurance. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See “Risk Factors — Risks Related to Our Business — Our limited insurance coverage could expose us to significant costs and business disruption” for further details.

## LEGAL PROCEEDINGS

We were named as a defendant in a civil suit filed on May 15, 2017 in Beijing. The plaintiff alleged that we violated the advertising agent agreements we entered into with it, and sought for damages in an aggregate amount of RMB8.8 million. While the initial trial is still ongoing, and it is difficult for us to assess the outcome of the case for the time being, we made a provision in our financial statements in an amount of RMB8.8 million in relation to this litigation. Considering the nature of the disputes, the maximum amount of the damages, and the fact that we had made a provision in our financial statements, our PRC Legal Advisor is of the view that our business operation will not be materially and adversely affected because of the litigation.

Other than the above-mentioned litigation, as of the Latest Practicable Date, we are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operation. We may from

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time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

### LICENSES, REGULATORY APPROVALS AND COMPLIANCE RECORD

#### Licenses, Permits and Approvals

Our Directors, as advised by our PRC Legal Advisor, confirm that, as of the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations in China, including the Online Culture Operating License (網絡文化經營許可證), the ICP License (增值電信業務經營許可證) and the Permit for Spreading Audio-Visual Programs via Information Network (信息網絡傳播視聽節目許可證).

The table below sets forth the details of the material licenses and permits necessary for the operation of our business in China:

License/Permit	Entity Holding the		Grant Date of the latest	
	License/Permit	First Grant Date	license/permit	Expiration Date
ICP License . . . . .	Beijing Meelive	N/A	July 26, 2017	January 25, 2022
Online Culture Operating License . . . . .	Beijing Meelive	N/A	July 31, 2017	March 3, 2019
Commercial Performance License . . . . .	Beijing Meelive	N/A	July 25, 2017	July 24, 2019
ICP License . . . . .	Hunan Inke	July 24, 2017	April 23, 2018	May 10, 2022
Online Culture Operating License . . . . .	Hunan Inke	July 18, 2016	May 17, 2018	July 17, 2019
Commercial Performance License . . . . .	Hunan Inke	July 28, 2016	May 17, 2018	July 27, 2018
ICP License . . . . .	Hunan Anyue	September 14, 2017	April 26, 2018	September 14, 2022
Online Culture Operating License . . . . .	Hunan Anyue	July 4, 2017	May 17, 2018	July 3, 2020
Commercial Performance License . . . . .	Hunan Anyue	June 6, 2017	May 17, 2018	June 5, 2019
ICP License . . . . .	Hunan Xiangsheng	September 14, 2017	April 26, 2018	September 14, 2022
Online Culture Operating License . . . . .	Hunan Xiangsheng	July 4, 2017	May 17, 2018	July 3, 2020
Commercial Performance License . . . . .	Hunan Xiangsheng	June 6, 2017	May 22, 2018	June 5, 2019
ICP License . . . . .	Hunan Tiantianxiangshang	July 21, 2017	April 23, 2018	December 8, 2019
Online Culture Operating License . . . . .	Hunan Tiantianxiangshang	September 11, 2017	May 17, 2018	September 1, 2020
Short Message Service Access Code Use Certificate . . . . .	Hunan Tiantianxiangshang	N/A	December 17, 2014	December 8, 2019
Radio and Television Program Production License . . . . .	Hunan Tiantianxiangshang	April 1, 2016	April 1, 2018	April 30, 2020
Permit for Spreading Audio-Visual Programs via Information Network . . . . .	Hunan Tiantianxiangshang	February 28, 2015	February 28, 2018	February 28, 2021
Commercial Performance License . . . . .	Hunan Tiantianxiangshang	N/A	May 17, 2018	September 29, 2019
ICP License . . . . .	Haomei Information	October 11, 2017	April 11, 2018	October 11, 2022
Online Culture Operating License . . . . .	Haomei Information	N/A	March 5, 2018	July 25, 2020

As of the Latest Practicable Date, Hunan Tiantianxiangshang had made the application to renew its Permit for Spreading Audio-Visual Programs via Information Network and its Radio and Television Program Production

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License. Hunan Inke plans to make the renewal application for its Commercial Performance License in June 2018. Based on an interview conducted by our PRC Legal Advisor with the competent regulatory authority, and the advice of our PRC Legal Advisor, our Directors believe that there will not be any material legal impediment in renewing such licenses.

During the Track Record Period, we have had certain incidents of non-compliance in relation to the obtaining of licenses. The following sets forth the relevant information of the non-compliance.

### *Non-compliance*

Beijing Meelive did not possess the Online Culture Operating License during the period from March 2015 to March 2016, and the ICP License during the period from March 2015 to January 2017. During the non-compliance period, in 2015, 2016 and January 2017 and based on unaudited management accounts of Beijing Meelive, we generated revenues of approximately RMB28.7 million, approximately RMB4,334.9 million and approximately RMB378.9 million, respectively, and generated adjusted net profits of approximately RMB1.5 million, approximately RMB568.2 million and approximately RMB91.1 million, respectively.

### *Legal consequences*

#### *Online Culture Operating License*

As advised by our PRC Legal Advisor, any entity which engages in internet cultural activities without authorization from the MOC or its local enforcement teams may be ordered to rectify the non-compliance and to timely suspend all illegal business activities. All illegal income generated by the violating entity may be confiscated and the entity may be subject to a maximum fine of RMB500,000 depending on the seriousness of the non-compliance.

Beijing Meelive was fined by the Beijing Integrated Law Enforcement Team on Cultural Market on November 20, 2015 in an amount of RMB3,000 and on March 16, 2016 in an amount of RMB2,000. In the penalty slips issued by the Beijing Integrated Law Enforcement Team on Cultural Market, it was stated that there was no illegal income generated by Beijing Meelive. During the Track Record Period and up to the Latest Practicable Date, no income of Beijing Meelive was confiscated, nor has Beijing Meelive been ordered to suspend its business, as a result of its historical failure to obtain the license.

#### *ICP License*

As advised by our PRC Legal Advisor, the fine or penalty for similar non-compliance is (i) in the event that there is illegal income, rectification of the non-compliance, confiscation of such illegal income and a fine of three to five times of the total illegal income generated, or (ii) in the event that no illegal income was generated or such revenue is lower than RMB50,000, a fine of RMB100,000 to RMB1,000,000, and (iii) for material non-compliances, the relevant business shall be suspended and the non-compliances rectified.

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During the Track Record Period and up to the Latest Practicable Date, we have not been penalized or fined, or ordered to suspend our business, by any competent government authority as a result of our historical failure to obtain the ICP License.

### *Reasons for the non-compliance*

During the initial stage of Beijing Meelive, we, as a private startup company, devoted most efforts and resources in rolling out the new live streaming applications, as well as developing and executing the development strategies and had therefore diverted the efforts on regulatory matters. In addition, Beijing Meelive did not engage any external advisor to provide professional advice on licenses application related matters, nor did we timely consult the relevant governmental authority to obtain necessary guidance on the application procedures.

Therefore, Beijing Meelive only became aware of the requirement of obtaining the Online Culture Operating License and the ICP License when we were fined by the Beijing Integrated Law Enforcement Team on Cultural Market on November 20, 2015.

### *Rectification measures*

Promptly after being fined by the Beijing Integrated Law Enforcement Team on Cultural Market in November 2015, Beijing Meelive hired an officer designated for handling our license applications and related matters. In December 2015, Beijing Meelive also engaged an external advisor to advise us on relevant licenses application procedures. Since then, Beijing Meelive commenced the preparation of the application materials for both the Online Culture Operating License and the ICP License. In February 2016, Beijing Meelive made the initial application for the Online Culture Operating License. Nevertheless, shortly before Beijing Meelive obtained the Online Culture Operating License on March 4, 2016 the Beijing Integrated Law Enforcement Team on Cultural Market conducted another inspection on Beijing Meelive on March 2, 2016, as a result of which Beijing Meelive was fined for an additional RMB2,000 on March 16, 2016. As confirmed by the MOC during an interview conducted by our PRC Legal Advisor with the MOC, as Beijing Meelive had successfully obtained the Online Culture Operating License, the MOC will not revoke the license already granted to Beijing Meelive and will not impose any further fine or penalty due to the historical non-compliance.

Around the same time when we applied for the Online Culture Operating License, we also began to apply for the ICP License. In light of the investment by our Series A Investors, the completion of which took place in April 2016, Beijing Meelive lodged its formal ICP License application in May 2016. In addition, in view of building a stronger and more knowledgeable team to handle our license applications and related matters and with a view to expedite the application for the ICP License, we hired our Legal Manager and formally established our legal team in July 2016. In light of the investment by our Series B Investors in September 2016, and the resulting change in our shareholding structure, we were requested to submit certain revised documents to reflect such shareholding changes, which further prolonged the ICP License application process. Beijing Meelive met all documentary requirements with respect to the application of the ICP License in December 2016 and obtained the ICP License in January 2017. As confirmed by the Beijing Communications Administration during an interview conducted by our PRC Legal Advisor with the Beijing Communications Administration, it has never revoked the ICP license nor imposed any further fine or penalty on any company with a valid ICP License for historical non-compliance with regard to the failure to timely obtain the ICP License.



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Based on the foregoing, our PRC Legal Advisor advised that the risks that our licenses be revoked or we be imposed of a fine as a result of such historical non-compliances is remote. In addition, pursuant to applicable PRC laws and regulations, the circumstances under which a competent government authority could revoke the relevant license granted do not include the situation where there was a historical non-compliance resulting from an entity operating its internet cultural business or value-added telecommunications business prior to obtaining the relevant licenses. Our PRC Legal Advisor is of the view that our business operation will not be materially and adversely affected because of the delay in obtaining the Online Culture Operating Licenses and the ICP License.

Our Founders had undertaken to indemnify us for any losses, damages, costs and expenses arising out of or in connection with such historical non-compliances.

We have established and implemented policies and procedures to monitor licenses and renewal. All new mobile applications or products are required to be reported to and approved by the Legal Department before its commercialization and commencement of operation. We also engaged external advisors to advise us on regulatory matters, including among others, license application related matters. For further details with respect to the additional internal control measures adopted by us, please refer to paragraph headed “Internal Control Measures” below.

### **Social Insurance and Housing Provident Funds Contributions**

#### *Non-compliance*

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for some of our employees.

#### *Reasons for the non-compliance*

The non-compliance occurred primarily because our officers in charge of the administration of our employee benefit scheme lacked a comprehensive understanding of the PRC laws and regulations, which resulted in an inadvertence in monitoring our compliance status. The historical aggregate outstanding social insurance and housing provident funds contributions amounted to approximately RMB1.8 million, which has been fully provided in our combined financial statements for the year ended December 31, 2017.

#### *Legal consequences*

As advised by our PRC Legal Advisor, under PRC laws and regulations, if an employer fails to pay social insurance funds in full, the regulatory authority will order it to make full payment of the outstanding amount within a prescribed time limit, together with a late charge at the rate of 0.05% per day from the date on which the funds become due; if payment is not made within the prescribed time limit, the regulatory authority may impose a fine equivalent to one to three times of the overdue amount.

As advised by our PRC Legal Advisor, under PRC laws and regulations, if an employer fails to deposit in full the housing provident funds within the prescribed time limit, it might be ordered by the housing provident

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funds regulatory authority to deposit the funds within another stipulated time limit; if it fails to deposit the fund within such time limit, the regulatory authority may apply to the people's court for enforcement.

### ***Rectification measures***

We have obtained confirmations from the competent government authorities, confirming that during the Track Record Period, no administrative penalty was imposed for the underpaid amounts. During the Track Record Period and up to the Latest Practicable Date, we were never penalized by, nor had we received any notification from, the competent government authorities regarding any non-compliance in relation to social insurance and housing provident funds. We were also not aware of any employee's complaints or demands for payment of social insurance or housing provident fund contributions.

We have been actively communicating with the competent government authorities and we plan to make full contributions for all of our employees as soon as practicable. We will continue to contribute to such employee social welfare schemes pursuant to the relevant PRC laws and regulations. In addition, our Founders had undertaken that they will indemnify us for any losses that we may incur in relation to social insurance and housing provident funds contribution non-compliances. Based on the above, our PRC Legal Advisor was of the view that our business operation will not be materially and adversely affected by the non-compliance incident in relation to social insurance and housing provident funds.

### **Property Ownership Certificates for Leased Properties and Lease Registrations**

As of the Latest Practicable Date, with respect to some of our leased properties, the relevant lessors had not provided us with valid property ownership certificates. In addition, as of the Latest Practicable Date, our lease agreements were not registered with the relevant government authorities. See “— Properties” above for more details about these non-compliance incidents and the relevant legal consequences and rectifications measures we took.

### **Internal Control Measures**

To prevent the above-mentioned non-compliance incidents from occurring again in the future, we have implemented a set of internal control procedures. In addition, we have engaged an independent internal control consultant in December 2017 to conduct comprehensive review of our internal control mechanism, to identify deficiencies in our internal control systems and to make recommendations on enhanced internal control measures to be established by us to prevent future violations and ensure on-going compliance with applicable laws and regulations. After their initial review, the independent internal control consultant provided recommendations on the improvement of our internal control systems, and conducted a follow-up review in March 2018. After discussions with the internal control consultant, our Directors confirmed that we have adopted all of the recommendations made by the independent internal control consultant and have improved our internal control system to comply with the Listing Rules and applicable laws and regulations. Specifically, we have implemented the following enhanced internal control measures:

- we have updated our licenses and permits management policy to enhance the tracking and management of the license application, updating and renewal processes;

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- we have updated our real property management policy, requiring our legal department to ascertain, before we lease any property, the lessor has valid rights or authorizations to lease the real property;
- we have updated our assets management policy, requiring prompt registration of leases with the competent government authorities after we enter into any lease;
- our human resources and finance departments have implemented more stringent procedures in connection with the management and calculation of social insurance and housing provident funds contributions, registrations for social insurance and housing provident funds accounts, as well as contribution payment approvals;
- we will establish a regulatory compliance committee at the group level, to supervise and monitor our compliance status. The regulatory compliance committee will report to our Board of Directors on a regular basis;
- where necessary, our regulatory compliance committee will also seek advice from external experts as to compliance with relevant PRC laws;
- we have appointed our joint company secretaries, among whom Mr. Wong Yu Kit is familiar with the Listing Rules, Companies Ordinance and related matters to advise us on matters relating to our Company's and Directors' obligations;
- we will appoint a compliance advisor upon Listing to provide advice to our Directors and management team regarding matters relating to the Listing Rules;
- our Directors attended a training session conducted by our PRC Legal Advisor as to the license and permit requirements and other material PRC laws and regulations that are relevant to our business, as well as a training session conducted by our legal advisors as to Hong Kong law on the ongoing obligations and duties of a director of a Company whose shares are listed on the Stock Exchange.

Having considered the nature and reasons for the non-compliance incidents described above, the advice from our PRC Legal Advisor, the rectification actions taken and the enhanced internal control measures adopted by us, and after discussion with our internal control consultant with regards to the above rectification actions and internal control measures undertaken, our Directors are of the view, and the Joint Sponsors concur, that (i) our enhanced internal control measures are adequate having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements; and (ii) the past non-compliance incidents would not affect the suitability of our Directors to act as directors of a listed company under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules, on the following basis:

- the occurrence of the non-compliance incidents was not due to the dishonesty, gross negligence or recklessness of our Directors or for illegitimate purposes;

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- none of the non-compliance incidents has had a material impact on our business operations or financial position;
- our Directors responded in a timely manner after they became aware of the non-compliance incidents and immediately acted upon the advice of our legal advisors and internal control consultant;
- since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that they are not aware of any material breach of applicable rules and regulations other than the non-compliance incidents as disclosed above; and
- our Directors are aware of the requirements and obligations of directors of a listed company under the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. The demand for skilled employees is intense in our industry and we may be adversely affected by the departure of any key employees. See “Risk Factors — Risks Related to Our Business — Our business depends substantially on the continuing efforts of our management and other key personnel that supports our existing operations and future growth. If we lose their services, our operations and growth prospects may be severely disrupted” and “Risk Factors — Risks Related to Our Business — If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.”

We also require our staff to maintain high ethical standards. We distribute copies of our employee handbook to all our employees. The employee handbook contains, among other things, a code of conduct that each employee must comply with.

We provide regular trainings to our staff on work ethics, working procedures, internal policies, management, technical skills and other aspects that are relevant to our staff’s day-to-day work. Through these trainings, we ensure our staff’s skill set is up-to-date and meets our requirements.

#### Information Technology Risk Management

As a mobile streaming platform, our business involves a substantial amount of user data and other related information. Any leakage or loss of user data or inappropriate contents generated by the users may adversely affect our reputation, and if material, may subject us to potential legal liability.

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We believe we have implemented adequate measures in user data protection. Our information technology department is responsible for ensuring that collection, storage and use of user data complies with our internal policies and applicable laws and regulations. It also supervises the protection of data privacy. The key supervisors of the team have extensive experience in cyber security protection and internet information management and substantially all of our database administrators have internet or computer science academic background. We provide ongoing trainings to our information technology staff to enhance their technical skills and conduct regular reviews of their performance.

### **Financial Reporting Risk Management**

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We established strict internal reimbursement and financial activities reporting policies. In particular, our financial department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, checking the legitimacy of the original instruments we receive and use. The accountants or tellers in the financial department will also check whether the amount and time provided on the face of the instrument match the relevant contracts.

Our finance team is headed by our chief financial officer, Mr. Li Jin, who has extensive experience in finance and reporting. Other senior members of our finance department are all experienced in finance and accounting. We provide ongoing trainings to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

### **Compliance and Intellectual Property Rights Risk Management**

Compliance with PRC laws and regulations, especially laws and regulations governing the live streaming industry, as well as the protection of our intellectual property rights and the prevention of liabilities resulting from potential illegal contents of publication and intellectual properties infringement are major focus areas of our operational risk management. As of the Latest Practicable Date, our legal team consisted of five employees who had more than 20 years of PRC law practicing experience in total. Our legal department is responsible for reviewing and approving contracts, monitoring updates and changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC law.

Our legal department also assists our business department in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and our intellectual properties are under the protection of relevant laws and regulations.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of Mr. Feng Yousheng, Ms. Liao Jieming and Mr. Hou Guangling (each a “Founder”, and collectively, the “**Founders**” or the “**Founders Group**”) is an original founder of the Group, and one of the registered shareholders of Beijing Meelive (our PRC operating entity and our VIE). As of the date of this prospectus, Fantastic Live Holdings Limited (a company wholly owned by Mr. Feng), Luckystar Live Holdings Limited (a company wholly owned by Ms. Liao) and Horizon Live Holdings Limited (a company wholly-owned by Mr. Hou) owned as to approximately 20.94%, 4.69% and 4.69% of the issued share capital of our Company, which is in turn entitled to exercise voting rights of approximately 30.32% of the total issued share capital of the Company. In addition, the Founders collectively hold approximately 30.32% equity interest in Beijing Meelive. We, through our wholly-owned subsidiary, Inke PRC, have entered into certain agreements underlying the Contractual Arrangements with Beijing Meelive, the Founders and each of the other registered shareholders of Beijing Meelive. For further details of such agreements, please refer to the section headed “Contractual Arrangements” in this prospectus. Moreover, Ms. Liao, through Luckystar Live Holdings Limited, also owns approximately 89.99% equity interest in and controls Generous live LIMITED, whilst Mr. Hou, through Horizon Live Holdings Limited, owns approximately 97.99% equity interest in and controls Evergreen live LIMITED. Each of Generous live LIMITED and Evergreen live LIMITED holds approximately 5.06% of the total issued share capital of our Company as at the date of this prospectus. The Founders are (and have been) acting in concert when exercising their shareholders’ rights in our Company and Beijing Meelive since the respective dates of incorporation of our Company and Beijing Meelive, and the Founders have always been in consensus and in agreement when exercising their shareholders’ rights when passing shareholders’ resolution of our Company and Beijing Meelive. In addition, the Founders have together managed, and continue to manage, our Group in a highly consensual manner and exercise their voting rights jointly, they are presumed to be parties acting in concert under the Takeovers Code. Accordingly, the Founders (through their respective wholly-owned holding companies, Fantastic Live Holdings Limited, Luckystar Live Holdings Limited and Horizon Live Holdings Limited and their respective controlled entities, Generous live LIMITED and Evergreen live LIMITED) are the dominating and controlling shareholders of our Company as of the date of this prospectus.

Taking into account Ms. Liao and Mr. Hou’s indirect controlling interest in Generous live LIMITED and Evergreen live LIMITED, the Founders shall collectively be able to control approximately 40.46% of the total issued share capital of our Company as at the date of this prospectus, and approximately 34.38% of the total issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme). Accordingly, the Founders (through their respective wholly-owned holding companies, Fantastic Live Holdings Limited, Luckystar Live Holdings Limited and Horizon Live Holdings Limited and their respective controlled entities, Generous live LIMITED and Evergreen live LIMITED) will continue to remain the largest and dominating group of shareholders of our Company and Beijing Meelive.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### COMPETING INTERESTS

Each of our Controlling Shareholders and Directors of our Company confirms that he, she or it or his/her/ its respective close associates does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Global Offering.

#### Management Independence

The Board comprises three executive Directors (namely Mr. Feng, Ms. Liao and Mr. Hou), one non-executive Director and three independent non-executive Directors. Our management and operation decisions are made by our executive Directors and senior management, most of whom have served our Group since its incorporation and have substantial experience in the industry in which we are engaged. Each of the Directors is aware of their fiduciaries duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Accordingly, our Directors are of the view that we are able to operate independently from the Controlling Shareholders notwithstanding that each of Mr. Feng, Ms. Liao and Mr. Hou is a Controlling Shareholder and an executive Director.

Apart from the transactions set out in the sections headed “Contractual Arrangements” and “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

#### Operational independence

Although the Controlling Shareholders will continue to be the dominating group of shareholders which would continue to hold a substantial interest in our Company after the Listing, we have full rights to make all decision regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries or pursuant to the Contractual Arrangements) holds or enjoys the benefit of all relevant licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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In addition, although our Controlling Shareholders will retain a controlling equity interest of our PRC operating entity, Beijing Meelive, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of shareholders of Beijing Meelive and we have the right to enjoy all the economic benefits of Beijing Meelive and to exercise management control over the operations of Beijing Meelive. Pursuant to the Exclusive Call Option Agreement, Inke PRC has been granted irrevocable options to, by itself or through any of its designees, (i) purchase, to the extent permitted by PRC laws and regulations, the equity interests in Beijing Meelive, entirely or partially, at a minimum purchase price permitted under applicable PRC laws and regulations, or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Beijing Meelive at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Our Directors consider that through the Contractual Arrangements, our Group has obtained financial and operational control of Beijing Meelive and its subsidiaries through Inke PRC and that the Contractual Arrangements are sufficient to ensure that the financial results of Beijing Meelive and its subsidiaries can be consolidated as subsidiaries of our Company.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

### **Financial Independence**

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payments and we make financial decisions according to our own business needs.

In addition, our Group does not rely on our Controlling Shareholders and/or their close associates by virtue of their provision of financial assistance. During the Track Record Period and up to the Latest Practicable Date, our Group does not have any long-term loan or other type of long-term financing from any of our Controlling Shareholders. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

### **CORPORATE GOVERNANCE MEASURES**

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group our Controlling Shareholders:

- (A) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/her associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (B) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/her associates, the Company will comply with the applicable Listing Rules;
- (C) our Board include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors who possess sufficient experience and are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management — Directors — Independent non-executive Directors" in this prospectus;
- (D) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (E) we have appointed Guotai Junan Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

In addition, our Group will also adopt relevant measures to ensure the sound and effective operation of our Group (including Beijing Meelive and its subsidiaries) and the implementation of the Contractual Arrangements upon Listing. For details, please see the section headed "Contractual Arrangements — Operations in compliance with the Contractual Arrangements".

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## CONNECTED TRANSACTIONS

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### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements with our connected persons and the transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, upon the Listing. Set out below are the details of the continuing connected transactions and the relevant Listing Rules implications.

#### Contractual Arrangements

As disclosed in the section "Contractual Arrangements" in this prospectus, we, as foreign investors, are prohibited from holding equity interest in Beijing Meelive and its subsidiaries, our PRC operating entities and our VIEs, which operate our mobile live streaming platforms (the "**Principal Business**") and are considered to be engaged in the provision of value-added telecommunications services, internet cultural services, online audio and video program services and talent agency services. As a result, our Group, through our wholly-owned subsidiary, Inke PRC, has entered into the Contractual Arrangements such that we can conduct our Principal Business indirectly in China through Beijing Meelive and its subsidiaries while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide our Group with effective control over the financial and operational policies of Beijing Meelive and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Beijing Meelive after Listing through Inke PRC. As we operate our Principal Business through Beijing Meelive, which is controlled by its Registered Shareholders and we do not hold any direct equity interest in Beijing Meelive, the Contractual Arrangements were entered into on February 14, 2018 pursuant to which all economic benefits and risks arising from the business of Beijing Meelive are transferred to our Group.

The Contractual Arrangements currently in effect comprise three agreements, namely (i) the Exclusive Consulting and Service Agreement, (ii) the Exclusive Call Option Agreement and (iii) the Exclusive Equity Pledge Agreement, which were entered into between or amongst Inke PRC, Beijing Meelive and the Registered Shareholders (as the case may be), and the irrevocable Powers of Attorney executed by each Registered Shareholder pursuant to which each of the Registered Shareholders has appointed an authorized director or any direct or indirect shareholder of Inke PRC or his/her successor who is a PRC citizen as his/her/its proxy to exercise all of their respective shareholders' rights in Beijing Meelive, the detailed terms of the three agreements and the Powers of Attorney are set out in the section headed "Contractual Arrangements" in this prospectus.

#### Listing Rules Implications

Each of Mr. Feng, Ms. Liao and Mr. Hou is a controlling shareholder of our Company and Beijing Meelive and an executive Director of our Company and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Duomi Online, is a substantial shareholder of our Company and Beijing Meelive and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. In addition, Beijing Meelive is owned directly as to approximately 30.32% collectively by the Founders, who have always been in consensus and in agreement when exercising their shareholders' rights when passing shareholders' resolutions of Beijing Meelive. Each of Beijing Meelive and its subsidiaries is therefore an

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## CONNECTED TRANSACTIONS

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associate of each of the Founders and a connected person of our Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operation and it is justifiable and is in normal business practice for agreements under the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of Beijing Meelive and its subsidiaries can be effectively controlled by Inke PRC, (ii) Inke PRC can obtain the economic benefits derived from Beijing Meelive and its subsidiaries, and (iii) any possible leakage of assets and values of Beijing Meelive and its subsidiaries can be prevented on an uninterrupted basis. Such transactions have been entered into on normal commercial terms and are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of Beijing Meelive and its subsidiaries are consolidated into our Group's financial statements as subsidiaries, and the flow of economic benefit of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between Beijing Meelive and any member of our Group ("**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

### **Application for waiver**

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to Inke PRC under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the following conditions:

**(a) *No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

**(b) *No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once

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## CONNECTED TRANSACTIONS

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independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

**(c) *Economic benefits flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Beijing Meelive and its subsidiaries through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire, all or part of the equity interest in and/or assets of Beijing Meelive at the minimum purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by Beijing Meelive is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Inke PRC by Beijing Meelive under the Exclusive Consulting and Service Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Beijing Meelive.

**(d) *Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and Beijing Meelive and its subsidiaries, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

**(e) *Ongoing reporting and approvals***

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions

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## CONNECTED TRANSACTIONS

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carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that the profit generated by Beijing Meelive has been substantially retained by Inke PRC, (ii) no dividends or other distributions have been made by Beijing Meelive or any non-wholly owned subsidiary of our Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Beijing Meelive during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Beijing Meelive or any non-wholly owned subsidiary of our Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Beijing Meelive and each of its subsidiaries will be treated as our Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Beijing Meelive, its subsidiaries and their associates will be treated as connected persons of our Company (excluding for this purpose, Beijing Meelive and its subsidiaries), and transactions between these connected persons and our Group (including for this purpose, Beijing Meelive and its subsidiaries), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Beijing Meelive will undertake that, for so long as the Shares are listed on the Stock Exchange, Beijing Meelive will provide our Group's management and our Company's auditor full access to its relevant records, and (where applicable) relevant records of its subsidiaries, for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from Beijing Meelive under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that Beijing Meelive will continue to be treated as our Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Beijing Meelive and its associates will be treated as connected persons of our Company (excluding for this purpose, Beijing Meelive and its subsidiaries), and transactions between these connected persons and our Group (including for this purpose,

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## CONNECTED TRANSACTIONS

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Beijing Meelive and its subsidiaries), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

### **CONFIRMATION FROM THE JOINT SPONSORS**

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have participated in the due diligence and discussions with our management and our PRC Legal Advisor and have obtained necessary representations and confirmations from our Company and our Directors.

Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and it is justifiable and is in normal business practice for agreements under the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of Beijing Meelive and its subsidiaries can be effectively controlled by Inke PRC, (ii) Inke PRC can obtain the economic benefits derived from Beijing Meelive and its subsidiaries, and (iii) any possible leakage of assets and values of Beijing Meelive and its subsidiaries can be prevented on an uninterrupted basis.

In addition, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described above, and for which waivers have been sought, have been entered into in on normal commercial terms and are fair and reasonable, or advantageous, so far as our Group is concerned and are in the interests of our Company and the Shareholders as a whole.



## DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include, among other things, convening general meetings, implementing the resolutions passed at the general meetings, determining our business and investment plans, formulating our annual financial budget and financial statements, and formulating our proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association.

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets forth certain information in respect of our Directors and senior management:

Name	Age	Existing Position(s) in our Company	Date of Joining the Group	Date of Appointment	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
<i>Directors</i>						
FENG Yousheng (奉佑生)	40	Chairman, Chief Executive Officer and executive Director	March 31, 2015	November 24, 2017	Formulating and implementing the overall development strategies and business plans of our Group and overseeing the overall development and operations of our Group	None
LIAO Jieming (廖潔鳴)	37	Executive Director and Chief Operating Officer	March 31, 2015	March 9, 2018	Overseeing and managing the operations of our Group	None
HOU Guangling (侯廣凌)	33	Executive Director and Chief Technology Officer	March 31, 2015	March 9, 2018	Overseeing and managing the overall technology development of our Group	None

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing Position(s) in our Company	Date of Joining the Group	Date of Appointment	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
LIU Xiaosong (劉曉松)	52	Non-executive Director	March 31, 2015	March 9, 2018	Providing strategic advice and guidance on the business development of our Group	None
David CUI (崔大偉)	49	Independent non-executive Director	June 23, 2018	June 23, 2018	Supervising and providing independent judgment to our Board	None
DU Yongbo (杜永波)	47	Independent non-executive Director	June 23, 2018	June 23, 2018	Supervising and providing independent judgment to our Board	None
LI Hui (李璿)	51	Independent non-executive Director	June 23, 2018	June 23, 2018	Supervising and providing independent judgment to our Board	None
<b>Senior Management</b>						
JIANG Gupeng (姜谷鵬)	41	Chief Strategy Officer	March 1, 2016	March 1, 2016	Developing, communicating, executing and sustaining corporate strategic initiatives	None
LI Jin (李勁)	50	Chief Financial Officer	March 5, 2018	March 5, 2018	Overseeing financial management and overseeing investor relationship	None

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

#### Executive Directors

**Mr. Feng Yousheng** (奉佑生), age 40, is a Founder, the Chairman and the Chief Executive Officer of our Group and an executive Director of our Company. Mr. Feng is primarily responsible for formulating and implementing the overall development strategies and business plans of our Group and overseeing the overall development and operations of our Group. He was appointed as a Director on November 24, 2017. In addition, Mr. Feng currently holds the position of director or other managing positions in several subsidiaries of us and Beijing Meelive. Specifically, he is the chief executive officer, director and chairman of Beijing Meelive, an executive director of Hunan Inke and a manager of Hunan Enjoy. Mr. Feng has also been an executive director and manager of Beijing Yingzhi Consulting Limited (北京映知諮詢有限公司) since July 2016, and a non-executive director of both Next Entertainment Global Holding and Beijing Next Entertainment Technology Limited (北京未來趣娛科技有限公司) since August 2016 and October 2016 respectively. Prior to joining our Group, Mr. Feng has served several senior management and supervisory positions in different companies. Mr. Feng started his career as a clerk of the local government of Shaibeitan Township (永州金洞林場曬北灘瑤族鄉政府) from January 1998 to July 2001. He then started his career in the internet industry, serving as an engineer in Guandong Dadicom Chain Services Limited (廣東大地通訊連鎖服務有限公司) from August 2001 to June 2004. Afterwards, he served as the chief inspector of Shenzhen Huadong Feitian Network Development Co., Ltd. (深圳市華動飛天網絡技術開發有限公司) from July 2004 to December 2010. From December 2010 to March 2015, he also served as the senior vice president of Beijing Caiyun Online Technologies Co., Ltd (北京彩雲在線技術開發有限公司). Mr. Feng has over 17 years of experience in the internet technology industry. Mr. Feng graduated from Hunan Chemical Engineering School (湖南省化學工業學校) chemical technology major in June 1997, and by taking online courses, he graduated from China University of Geosciences (中國地質大學) in July 2017 with a junior college degree in computer application technology.

**Ms. Liao Jieming** (廖潔鳴), age 37, is a Founder of our Group and an executive Director and Chief Operating Officer of our Company. Ms. Liao is primarily responsible for overseeing and managing the overall operations of our Group. She was appointed as a Director on March 9, 2018. She currently holds the position of a director or other positions in our subsidiaries, subsidiaries of Beijing Meelive. She is a co-founder, an executive director and manager of Beijing Meelive, and has been an executive director of Shanghai Meelive since June 2016, the chairman of Guangying Shidai (Beijing) Technology Limited (光映時代(北京)科技有限公司) and an executive director and manager of Beijing Inke since July 2016, the chairman of Beijing Yingtianxia since December 2016, an executive director of Hunan Enjoy since April 2017, and an executive director and general manager of Hunan Tiantianxiangshang since July 2017. She also served as a managing partner of Inke Yuanda from June 2016 to June 2017, and subsequently serves as a managing partner of Inke Huanzhong since June 2017. Prior to joining our Group, Ms. Liao worked as a senior fashion editor at Trends Magazine Office (時尚雜誌社) Bride Editorial Department from February 2008 to February 2012. She then worked at the products department of Sina Technology (China) Co., Ltd. (新浪科技(中國)有限公司) as an editor from February 2012 to September 2012. From September 2013 to May 2014, Ms Liao served as a senior editor at Trends Health Magazine Office (時尚健康雜誌社). Ms. Liao then worked at Duomi Online (formerly known as Beijing Caiyun Online Technologies Co., Ltd) as the director for operations since June 2014 to March 2015. Ms. Liao graduated from Tianjin Polytechnic University (天津工業大學) with a bachelor's degree in mechanical engineering and automation and a master's degree in artistic design in July 2003 and March 2007 respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Hou Guangling** (侯廣凌), age 33, is a Founder of our Group and an executive Director and Chief Technology Officer of our Company. Mr. Hou is primarily responsible for overseeing and managing the overall technology development of our Group. He was appointed as a Director on March 9, 2018. In addition, Mr. Hou currently holds other positions in certain subsidiaries of our Company. In particular, he is a co-founder and an executive director of Beijing Meelive, and has been a vice-chairman of Guangying Shidai (Beijing) Technology Limited (光映時代(北京)科技有限公司) since July 2016 and a non-executive director of Beijing Qingliu Dingdian Technology Limited (北京清流鼎點科技有限公司) since December 2016. He served as a managing partner of Inke Huanzhong from June 2016 to June 2017, and subsequently serves as a managing director of Inke Changqing since June 2017. Prior to joining our Group, Mr. Hou worked at Duomi Online (formerly known as Beijing Caiyun Online Technologies Co., Ltd) as the director for research and development from July 2010 to February 2013. He then served as the director for research and development of Beijing Huanwu Yuedong Internet Technology Co., Ltd. (北京歡舞悅動網絡科技有限公司) from March 2013 to August 2015. Mr. Hou has over 7 years of experience in the internet technology industry. Mr. Hou earned a bachelor of engineering in electronic and information engineering from North University of China (中北大學) in July 2006. In addition, Mr. Hou earned a master of engineering in embedded systems engineering from Peking University (北京大學) in July 2010.

### Non-executive Directors

**Mr. Liu Xiaosong** (劉曉松), aged 52, joined the Board as a non-executive Director on March 9, 2018 and is responsible for providing strategic advice and guidance on the business development of our Group. Mr. Liu has over 25 years of management experience and diversified experience in the internet technology, media and telecommunications industry. Mr. Liu currently serves as and has been serving as the chairman of A8 New Media Group Limited (A8新媒體集團有限公司, which shares are listed on the Main Board of the Stock Exchange under stock code 800) since October 2007. He is the chairman of Duomi Online, our Angel Investor. He is one of the co-founders of Tencent Holdings Limited (a company listed on the Main Board of the Stock Exchange under stock code 700). Prior to serving as the chairman of A8 New Media Group Limited, Mr. Liu worked at China Electric Power Research Institute (中國電力科學研究院) as an engineer from September 1987 to October 1991. Subsequently, he served as a general manager of Shenzhen Xinlide Electronics Limited (深圳市信力德電子有限公司) from April 1994 to May 2000. Mr. Liu graduated from Hunan University (湖南大學) in July 1984 with a bachelor's degree in electrical engineering. In addition, Mr. Liu obtained his master's degree in engineering from China Electric Power Research Institute in September 1987. In 1991, Mr. Liu had studied at Tsinghua University for doctoral studies in electrical engineering.

### Independent non-executive Directors

**Mr. David Cui** (崔大偉), age 49, was appointed as our independent non-executive Director on June 23, 2018, and is responsible for supervising and providing independent advice and judgment to our Board. Mr. Cui has extensive experience in public accounting and financial management. Mr. Cui currently serves as the chief financial officer of Huami Corporation (a company listed on the New York Stock Exchange (NYSE: HMI)) since August 2017. From August 2015 to April 2017, Mr. Cui is the chief financial officer of China Digital Video Holdings Limited, a company listed on the Hong Kong Stock Exchange with stock code 8280. During the period from January 1996 to August 2013, Mr. Cui worked in various roles including the chief financial officer in iKang Healthcare Group, Inc., a company listed on the NASDAQ (NASDAQ: KANG); an audit senior manager of

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## DIRECTORS AND SENIOR MANAGEMENT

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Deloitte Touche Tohmatsu, Shanghai; the financial reporting manager of Symantec Corporation, California; an audit manager of Ernst & Young LLP, California; a senior auditor in the Audit and Advisory Services practice of Health Net, Inc., California, a company listed on the New York Stock Exchange (NYSE: HNT); and worked at various public accounting firms in Canada and the United States. Mr. Cui obtained his bachelor's degree in business administration from Simon Fraser University, Canada in September 1997. He became a Chartered Accountant in Canada in February 2000 and a licensed Certified Public Accountant in the United States in July 2005.

**Mr. Du Yongbo (杜永波)**, age 47, was appointed as our independent non-executive Director on June 23, 2018, and is responsible for supervising and providing independent advice and judgment to our Board. He has over 16 years of experience in investment banking and investment management in the technology, media and telecom industry. Mr. Du currently serves as an executive director of China Renaissance Holdings Limited since August 2011 and as the managing director of Shanghai HuaSheng Youge Equity Investment Management Limited (上海華晟優格股權投資管理有限公司) since January 2016. Mr. Du also served as an executive director of China Renaissance Pan-Asia Investment Consulting (Beijing) Limited (華興泛亞投資顧問(北京)有限公司) from April 2006 to December 2015. Prior to joining the China Renaissance Group, Mr. Du served as the procurement manager of Samsung Electronics Huizhou Co., Ltd. (惠州三星電子有限公司) from July 1993 to January 1995. He then served as the vice-general manager of the planning department of a subsidiary of Legend Group now known as Lenovo Group, (聯想集團) in Beijing from April 1995 to October 1998 and as the general manager of a software development entity within Lenovo Group from November 1998 to October 1999. Subsequently, he served as the director of investment projects of Lenovo Group from January 2002 to May 2006. Mr. Du graduated from Tsinghua University (清華大學) in July 1993 with dual bachelor's degrees, one in utilization of nuclear energy and thermal energy from the Department of Engineering Physics, and the other in mechanical engineering from the Department of Precision Instruments & Mechanics. In addition, Mr. Du completed the courses of the Tsinghua University and the Chinese University of Hong Kong MBA Program in July 2006 and December 2006, respectively.

**Dr. Li Hui (李璿)**, age 51, was appointed as our independent non-executive Director on June 23, 2018, and is responsible for supervising and providing independent advice and judgment to our Board. Dr. Li has over 17 years of working experience in high-tech industry in both US and China. Dr. Li currently serves as a Senior Director of Product Management at LinkedIn Corp., where he first joined in April 2012 as the Chief Representative of LinkedIn Representative Office in China. Prior to working at LinkedIn, Dr. Li served as a Product Manager at Google Shanghai office and then as a Senior Manager of New Business Development, from November 2007 to February 2012. Prior to Google, he was a Director of Research and Development at Universal Scientific Industrial (Shanghai) Co., Ltd (環旭電子股份有限公司), from November 2003 to November 2007. Prior to that, Dr. Li served as a Software Engineer at Apple Inc. in Cupertino USA from April 2001 to March 2003. Dr. Li holds six patents. Dr. Li graduated from Fudan University (復旦大學) in July 1989 with a bachelor's degree in Electronic Engineering. Dr. Li received from the University of California, Santa Barbara a master's degree and a Ph.D. in Electrical and Computer Engineering in June 1991 and December 1993, respectively.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed "Statutory and General Information" in Appendix IV for further information about the Directors, including the particulars of their service contracts and remuneration, and details

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## DIRECTORS AND SENIOR MANAGEMENT

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of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respect of each of our directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our directors that need to be brought to the attention of our Shareholders.

### SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. Information concerning our executive Directors is shown in “— Directors” above. The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

**Mr. Jiang Gupeng** (姜谷鵬), age 41, is the Chief Strategy Officer of our Group. Mr. Jiang joined our Group in March 2016 and is responsible for developing, communicating, executing, and sustaining corporate strategic initiatives. In addition, Mr. Jiang currently holds the position of director or other managing positions in our subsidiaries. He has been serving as the chief financial officer of Beijing Meelive from March 2016 to March 2018, an executive director and manager of Ningbo Inke since May 2016, a non-executive director of Miaoao (Beijing) Technology Limited (秒啊(北京)科技有限公司) since April 2017. He has also been serving as the managing partner of Inke Yuanda since June 2017. Mr. Jiang has over 9 years of experience in corporate management. Prior to joining our Group, Mr. Jiang worked as a clerk at Beijing Municipal Commission of Urban Planning (北京市規劃委員會) from July 2003 to July 2004. He then served as a manager of Beijing Doric Realty Investment Consulting Co., Ltd. (北京大信創業房地產投資顧問有限公司) from August 2004 to March 2009. He served as an executive director and manager of Beijing Dapeng Shidian Technology Limited (北京大鵬視點科技有限公司) from April 2009 to December 2011. Mr. Jiang then consecutively served as a vice president and a director of China Renaissance Pan-Asia Investment Consulting (Beijing) Limited (華興泛亞投資顧問(北京)有限公司) from January 2012 to December 2015, and then served as the director of Shanghai HuaSheng Youge Equity Investment Management Limited (上海華晟優格股權投資管理有限公司) from January 2016 to March 2016. Mr. Jiang also served as a managing partner of Inke Changqing from June 2016 to June 2017 and the chairman of Beijing Yingwu Technology Limited (北京映舞科技有限公司) September 2016 to February 2018. Mr. Jiang graduated from Tsinghua University with a bachelor’s degree in architecture in July 2000 with a master’s degree of engineering from Tsinghua University in July 2004.

**Mr. Li Jin** (李勁), age 50, is the Chief Financial Officer of our Group. Mr. Li joined our Group in March 2018 and is responsible for overseeing financial management and investor relationship of our Group. Prior to joining our Group, Mr. Li served as the chief financial officer of Baby Space Corp from December 2015 to December 2016. Mr. Li also served as the chief financial officer of Sungy Mobile Limited (廣州市久邦數碼科技有限公司, which shares were listed on NASDAQ Global Select Market (NASDAQ: GOMO)), from July 2013 to August 2014. From March 2006 to June 2013 he served as an executive director of Le Gaga Holdings Limited (中國利農國際有限公司), a company previously listed on NASDAQ (NASDAQ: GAGA) until December 2014 upon completion of its privatization. Mr. Li serves as an independent non-executive Director of Kingbo Strike Limited, a company listed on the main board of the Stock Exchange (stock code: 1421) since June 2017 and an independent director of Leju Holdings Limited, which American Depositary Receipts are listed on the New York Stock Exchange (NYSE: LEJU) since April 2014. He had also been appointed as an independent non-executive director of ZTE Corporation, a company listed on the main board of the Stock Exchange (stock code: 763) from



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## DIRECTORS AND SENIOR MANAGEMENT

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June 2004 to June 2010. Mr. Li graduated from Peking University in biology in June 1989. Mr. Li received his juris doctor degree from the School of Law Columbia University in May 1994.

Save as disclosed above, none of our senior management members holds or has held any directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

### JOINT COMPANY SECRETARIES

**Mr. Xiao Liming (肖力銘)**, age 31, was appointed as one of our joint company secretaries on March 11, 2018 and with effect upon Listing. Mr. Xiao is currently a senior director of our Company. Prior to joining our Group, Mr. Xiao served as a senior associate of BOC International Securities Co. Ltd., (中銀國際證券股份有限公司) from August 2010 to April 2014. From May 2014 to July 2015, he also served as a senior manager of China Renaissance Pan-Asia Investment Consulting (Beijing) Limited (華興泛亞投資顧問(北京)有限公司). Mr. Xiao then worked at Chengdu Long Mobile Technology Limited (DragonestGames) (成都龍淵網絡科技有限公司) as a vice-president from August 2015 to November 2016. Mr. Xiao graduated from the University of Warwick in November 2009 with a master's degree of Science in Finance.

**Mr. Wong Yu Kit (黃儒傑)**, is another joint company secretary of our Company and was appointed on May 29, 2018 and with effect upon Listing. Mr. Wong is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and has about 10 years of experience in the corporate services field. Mr. Wong obtained a bachelor's degree in the Business Administration and Management from the University of Huddersfield and a master's degree in corporate governance from the Open University of Hong Kong. Mr. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

### BOARD COMMITTEES

#### Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, being two independent non-executive Directors, namely David Cui and Li Hui, and one non-executive Director, namely Liu Xiaosong. David Cui, our independent non-executive Director, has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing



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## DIRECTORS AND SENIOR MANAGEMENT

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Rules. The remuneration committee has three members, being two independent non-executive Directors, namely Du Yongbo and David Cui, and one non-executive Director, namely Liu Xiaosong. Du Yongbo, our independent non-executive Director, has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

### **Nomination Committee**

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, being Du Yongbo and Li Hui and one executive Director, being Feng Yousheng, who is the chairman of the nomination committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

### **CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE**

Mr. Feng is our Chairman and Chief Executive Officer. With extensive experience in the internet industry, Mr. Feng is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since our establishment. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experience and high-caliber individuals. Our Board currently comprises three executive Directors (including Mr. Feng), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

### **WAIVERS GRANTED BY THE STOCK EXCHANGE**

#### **Management presence**

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules — Waiver in relation to Management Presence in Hong Kong”.

#### **Qualification of one of our Joint Company Secretaries**

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the requirement on the qualifications of one of our joint company secretaries, Mr. Xiao Liming. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules — Waiver in relation to our Joint Company Secretary”.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) incurred for our Directors for the period/years ended December 31, 2015, 2016 and 2017 was approximately RMB392,000, RMB97.7 million and RMB4.8 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, during each of the years ended December 31, 2015, 2016 and 2017, was approximately RMB630,000, RMB176.5 million and RMB8.2 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2015, 2016 and 2017. Further, none of our Directors had waived any remuneration during the same period.

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## DIRECTORS AND SENIOR MANAGEMENT

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Save as disclosed above, no other payments have been made or are payable in respect of each of the years ended December 31, 2015, 2016 and 2017 by the Group to the Directors.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2018 is estimated to be approximately HK\$3.2 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

### EMPLOYEES' INCENTIVE SCHEMES

In order to allow our key employees to share indirectly the economic benefits from the growth and development of the Group, we have adopted employees' incentive schemes, pursuant to which we may grant options and unit awards to eligible directors, officers, employees of our Group. The principal terms of such schemes are summarized in the section headed "Appendix IV — Statutory and General Information — D. Share Incentive Schemes" in this prospectus.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name of shareholder	Name of Company	Nature of interest	Shares held as of the date of this prospectus		Immediately after the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) <sup>(1)</sup>	
			Number of Shares or securities held	Approximate percentage of interest in our Company or subsidiary	Number of Shares <sup>(2)</sup> or securities held	Approximate percentage of interest in our Company or subsidiary <sup>(2)</sup>
Mr. Feng <sup>(3)</sup>	The Company	Interest in controlled corporation	358,798	20.94%	358,798,000	17.80%
Fantastic Live Holdings Limited <sup>(3)</sup>	The Company	Beneficial owner	358,798	20.94%	358,798,000	17.80%
Ms. Liao <sup>(4)</sup>	The Company	Interest in controlled corporation	167,155	9.75%	167,155,000	8.29%
Luckystar Live Holdings Limited <sup>(4)</sup>	The Company	Interest in controlled corporation	167,155	9.75%	167,155,000	8.29%
Generous live LIMITED <sup>(4)</sup>	The Company	Beneficial owner	86,746	5.06%	86,746,000	4.30%
Mr. Hou <sup>(5)</sup>	The Company	Interest in controlled corporation	167,155	9.75%	167,155,000	8.29%
Horizon Live Holdings Limited <sup>(5)</sup>	The Company	Interest in controlled corporation	167,155	9.75%	167,155,000	8.29%
Evergreen live LIMITED <sup>(5)</sup>	The Company	Beneficial owner	86,746	5.06%	86,746,000	4.30%
Mr. Jiang Gupeng <sup>(6)</sup>	The Company	Interest in controlled corporations	133,485	7.79%	133,485,000	6.62%
Capital Bright Holdings Limited <sup>(6)</sup>	The Company	Interest in controlled corporation	133,485	7.79%	133,485,000	6.62%
Jubilant live LIMITED <sup>(6)</sup>	The Company	Beneficial owner	133,485	7.79%	133,485,000	6.62%
Duomi Online <sup>(7)</sup>	The Company	Interest in controlled corporation	250,000	14.59%	250,000,000	12.40%
Hunan FeiYang Network Information Services Co., Ltd. <sup>(7)</sup>	The Company	Interest in controlled corporation	250,000	14.59%	250,000,000	12.40%
FeiYang Hong Kong Limited <sup>(7)</sup>	The Company	Beneficial owner	250,000	14.59%	250,000,000	12.40%
Kunlun <sup>(8)</sup>	The Company	Interest in controlled corporation	175,293	10.23%	175,293,000	8.70%
Kunlun Group Limited <sup>(8)</sup>	The Company	Beneficial owner	175,293	10.23%	175,293,000	8.70%
Zheng Gang <sup>(9)</sup>	The Company	Interest in controlled corporation	124,945	7.29%	124,945,000	6.20%
Fantastic Ardent Limited <sup>(9)</sup>	The Company	Interest in controlled corporation	124,945	7.29%	124,945,000	6.20%
Vivid Sparks Global Limited <sup>(9)</sup>	The Company	Nominee for another person	124,945	7.29%	124,945,000	6.20%

## SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Name of Company	Nature of interest	Shares held as of the date of this prospectus		Immediately after the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) <sup>(1)</sup>	
			Number of Shares or securities held	Company or our subsidiary	Number of Shares <sup>(2)</sup> or securities held	Company or our subsidiary <sup>(2)</sup>
Zihui Juxin <sup>(9)</sup>	The Company	Beneficial owner	109,331	6.38%	109,331,000	5.42%
Wan Baitao <sup>(10)</sup>	The Company	Interest in controlled corporation	104,923	6.12%	104,923,000	5.21%
Global Dream Holdings Limited <sup>(10)</sup>	The Company	Nominee for another person	104,923	6.12%	104,923,000	5.21%
Xiamen Shengyuan <sup>(10)</sup>	The Company	Beneficial owner	104,923	6.12%	104,923,000	5.21%
Mr. Feng	Beijing Meelive	Beneficial owner	RMB358,798 registered capital	20.94%	RMB358,798 registered capital	20.94%
Duomi Online	Beijing Meelive	Beneficial owner	RMB250,000 registered capital	14.59%	RMB250,000 registered capital	14.59%
Xizang Kunnuo	Beijing Meelive	Beneficial owner	RMB175,293 registered capital	10.23%	RMB175,293 registered capital	10.23%
Guo Hui (郭輝)	Haomei Information	Beneficial owner	RMB2,000,000 registered capital	20%	RMB2,000,000 registered capital	20%

*Notes:*

- (1) All interests stated are long positions
- (2) The calculation is based on the total number of 2,015,564,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised.
- (3) Mr. Feng holds the entire share capital of Fantastic Live Holdings Limited, which in turn directly holds 358,798,000 Shares. Accordingly, Mr. Feng is deemed to be interested in the 358,798,000 Shares held by Fantastic Live Holdings Limited.
- (4) Ms. Liao holds the entire share capital of Luckystar Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Ms. Liao, through Luckystar Live Holdings Limited, also holds 89.99% of the total issued share capital in Generous live LIMITED, which in turn directly holds 86,746,000 Shares. Accordingly, Ms. Liao is deemed to be interested in the 80,409,000 Shares held by Luckystar Live Holdings Limited and both Ms. Liao and Luckystar Live Holdings Limited are deemed to be interested in the 86,746,000 Shares held by Generous live LIMITED.
- (5) Mr. Hou holds the entire share capital of Horizon Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Mr. Hou, through Horizon Live Holdings Limited, also holds 97.99% of the total issued share capital in Evergreen live LIMITED, which in turn directly holds 86,746,000 Shares. Accordingly, Mr. Hou is deemed to be interested in the 80,409,000 Shares held by Horizon Live Holdings Limited and both Mr. Hou and Horizon Live Holdings Limited are deemed to be interested in the 86,746,000 Shares held by Evergreen live LIMITED.
- (6) Mr. Jiang Gupeng, our Chief Strategy Officer, holds the entire issued share capital in Capital Bright Holdings Limited, which in turn holds 79.99% of the total issued share capital in Jubilant live LIMITED, Jubilant live LIMITED in turn directly holds 133,485,000 Shares. Accordingly, each of Mr. Jiang and Capital Bright Holdings Limited is deemed to be interested in the 133,485,000 Shares held by Jubilant live LIMITED.

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## SUBSTANTIAL SHAREHOLDERS

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- (7) Duomi Online holds the entire share capital of Hunan FeiYang Network Information Services Co. Ltd. (湖南飛陽網絡信息服務有限公司), which in turn wholly-owned FeiYang Hong Kong Limited. FeiYang Hong Kong Limited in turn directly holds 250,000,000 Shares. Accordingly, each of Duomi Online and Hunan FeiYang Network Information Services Co. Ltd. (湖南飛陽網絡信息服務有限公司) is deemed to be interested in the 250,000,000 Shares held by FeiYang Hong Kong Limited.
- (8) Kunlun holds the entire share capital of Kunlun Group Limited, which in turn directly holds 175,293,000 Shares. Accordingly, Kunlun is deemed to be interested in the 175,293,000 Shares held by Kunlun Group Limited.
- (9) Vivid Sparks Global Limited, is wholly-owned by Fantastic Ardent Limited, which is owned by Mr. Zheng Gang (鄭剛) as to 90%. Vivid Sparks Global Limited acts as the nominee shareholder of each of Zihui Juxin and Changxing Shengju pursuant to a nominee arrangement between the parties. Zihui Juxin is the beneficial owner of 109,331,000 Shares and Changxing Shengju is the beneficial owner of 15,614,000 Shares. Accordingly, each of Mr. Zheng Gang and Fantastic Ardent Limited is deemed to be interested in the 124,945,000 Shares held by Vivid Sparks Global Limited.
- (10) Mr. Wen Baitao (溫栢濤) holds the entire share capital of Global Dream Holdings Limited which acts as the nominee shareholder of Xiamen Shengyuan, which in turn is the beneficial owner of 104,923,000 Shares. Accordingly, Mr. Wen Baitao (溫栢濤) is deemed to be interested in the 104,923,000 Shares held by Global Dream Holdings Limited.

Other than as disclosed above, the substantial shareholders are not related to one another.

Save as disclosed above and in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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## SHARE CAPITAL

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### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

		US\$	Approximate percentage to total share capital
<b>Authorized share capital as of the Latest Practicable Date</b>			
50,000,000	Shares of US\$0.001 each	50,000	100.00%
<b>Authorized share capital to be increased immediately before the completion of the Global Offering:</b>			
50,000,000,000	Shares of US\$0.001 each	50,000,000	100.00%
<b>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised):</b>			
1,713,224	Shares in issue as of the date of this prospectus	1,713.22	0.08%
1,711,510,776	Shares to be issued pursuant to the Capitalization Issue	1,711,510.78	84.92%
302,340,000	Shares to be issued pursuant to the Global Offering	302,340.00	15.00%
2,015,564,000	Total	2,015,564.00	100.00%

### Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is exercised in full):

1,713,224	Shares in issue as of the date of this prospectus	1,713.22	0.08%
1,711,510,776	Shares to be issued pursuant to the Capitalization Issue	1,711,510.78	83.05%
302,340,000	Shares to be issued pursuant to the Global Offering	302,340.00	14.67%
45,351,000	Shares to be issued upon the Over-allotment Option being exercised in full	45,351.00	2.20%
2,060,915,000	Total	2,060,915.00	100.00%

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of the options which may be granted under the Share Option Scheme, any Shares which may be issued under the RSU Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.



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## SHARE CAPITAL

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### RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

### SHARE INCENTIVE SCHEMES

We have conditionally adopted the Share Option Scheme and the RSU Scheme. The principal terms of the Share Option Scheme and the RSU Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders’ resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders’ special resolution. For more details, please see “Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — 2.5 Alteration of capital” in Appendix III.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, all or any of the rights attached to the Share or any class of Shares may be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see “Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — 2.4 Variation of rights of existing shares or classes of shares” in Appendix III.

### GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see “Statutory and General Information — A. Further Information About the Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 23, 2018” in Appendix IV.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our combined financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with IFRS, which may differ in material aspects from GAAP in other jurisdictions, including the United States.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this prospectus, including the sections headed "Risk Factors" and "Business."*

*For the purpose of this section, unless the context otherwise requires, references to 2015 refer to the period from March 31, 2015 to December 31, 2015, and references to 2016 and 2017 refer to our financial years ended December 31 of such years, respectively. Unless the context otherwise requires, financial information described in this section is described on a combined basis.*

### OVERVIEW

We are a leading mobile live streaming platform in China. We are especially popular among young, active consumers with strong spending power. Our highly engaged users are willing to communicate, interact and share publicly through our platform. Our core product, the Inke App, officially launched in May 2015, has attracted over 194.5 million registered users as of December 31, 2017. According to Frost & Sullivan, we were the second largest mobile live streaming platform in China in terms of revenue in 2017, with a revenue of RMB3,941.6 million and a market share of 15.3%. We were also the largest mobile live streaming platform in China in terms of average monthly active streamers in 2017, and the fourth largest in terms of average monthly paying users in 2017.

We generate revenue mainly through the sale of virtual items and services on our platform. Our users can purchase Inke Diamonds, the virtual currency on our platform, through multiple payment channels. Inke Diamonds can be used to purchase a variety of virtual items, which our users can give to other users as a gesture of friendship, admiration or support. Users can also use Inke Diamonds to subscribe for or purchase other value-added services to enhance their interaction experiences. The popularity of our platform and the high level of user engagement and attention has also attracted a number of advertisers to our platform, allowing us to further monetize our user base and generate additional revenue.

We have achieved strong financial performance during the Track Record Period. In 2015, 2016 and 2017, we generated revenue of RMB28.7 million, RMB4,334.9 million and RMB3,941.6 million, respectively, and recorded adjusted net profit of RMB1.5 million, RMB568.2 million and RMB792.0 million, respectively. Our adjusted net profit excludes non-cash fair value loss of financial instruments with preferred rights and non-cash share-based compensation expenses. Please refer to the section headed "Non-IFRS Measure" for details.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

We incorporated our Company on November 24, 2017. Prior to the incorporation of our Company, our operations were conducted through Beijing Meelive and its subsidiaries. In February 2018, we completed the Reorganization, and Inke PRC, a subsidiary of our Company, entered into the Contractual Arrangements with Beijing Meelive and its Registered Shareholders, as a result of which we indirectly control the operation and enjoy all the economic benefits of Beijing Meelive, and became the ultimate holding company of the companies now comprising the Group. For further details of the Contractual Arrangements and the corporate structure of our Company, please refer to the sections headed “Contractual Arrangements” and “History, Reorganization and Corporate Structure.” The Reorganization was merely a reorganization of the listing business and did not result in any changes to our business substance, management or Controlling Shareholders. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the listing business under Beijing Meelive, and the consolidated financial statements of the Group has been prepared and presented as a continuation of the consolidated financial statements of Beijing Meelive and its subsidiaries, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the listing business under the consolidated financial statements of Beijing Meelive for all periods presented. Inter-company transactions, balances and unrealized gains/losses on transactions between the group companies are eliminated on consolidation.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations have been, and are expected to continue to be, materially affected by a number of key factors, including the following:

#### **Ability to Retain and Grow User Base**

We generate revenues primarily from sales of virtual items and services to our users, and to a lesser extent from sales of advertisements on our platform. Our business depends significantly on our ability to retain and grow our user base, which in turn depends on the attractiveness of our platform. Since the launch of the Inke App, we have accumulated over 194.5 million registered users as of December 31, 2017. In 2017, our platform had average MAUs of 22.7 million. In order to achieve sustainable revenue growth, we need to retain our existing users, continue to attract new users, and maximize the network effect of our platform.

#### **Monetization of Our User Base**

Our revenue and profitability is affected by our ability to convert users into paying users, and to encourage paying users to increase their spending on our platform, which in turn depends on our ability to offer virtual items, services and features that our users find attractive. In addition, our ability to effectively attract advertisers to our platform, thereby further monetize our robust user base, will also affect our results of operations.

#### **Ability to Manage Costs and Expenses, Especially Streamer Costs**

Our ability to manage and control our costs and expenses, especially streamer costs, is a key factor affecting our results of operation. We share a certain percentage of our revenues with our streamers. In addition,

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we share with streamer agents a certain percentage of the revenues generated by the streamers they manage. The terms of agreements we enter into with streamers and streamer agents, especially those arrangements as to revenue sharing, have a direct impact on our costs. In 2015, 2016 and 2017, the streamer costs accounted for 37.9%, 54.0% and 56.1% of our total revenues, respectively. Our ability to continue to manage and control our costs and expenses, while at the same time maintain our robust streamer base, attract new streamers to our platform and maintain the quality of our services, will significantly affect our profitability.

### **Brand Recognition and Marketing Efficiency of Our Platform**

Brand image is a key factor for users to select the live streaming platform to use. We believe that we have a well established brand image and reputation among our target users, and that our brand recognition has contributed significantly to the success of our business. Our continued ability to efficiently use our marketing expenditure to maintain and enhance our brand image, to attract new users, to promote our platform as well as new products and services, and to differentiate ourselves from our competitors, will be critical in maintaining and enhancing our profitability.

### **Effective Investment in Technology**

Our technological capabilities and infrastructure support our business development. We invest significant resources in improving our research and development capabilities. We must continue to innovate our products and services with new and engaging features and functions so as to capture shifting customer preferences. In addition, our technology infrastructure is critical to the stability and scalability of our platform. We must continue to upgrade and expand our technology infrastructure as well as improve the security and stability of our platform to better support our growth. We expect our research and development expenses to increase in absolute amount as we continue to improve our technological capabilities and innovate our products and services.

### **Competition**

We compete with other mobile live streaming platform operators, and may face competition from other more established companies should they decide to enter into the market in which we operate. In addition, we face competition from other online and offline entertainment choices available to our users. Our ability to successfully maintain and enhance user interest and compete in the industry we operate will significantly affect our results of operations.

### **General Development of the Mobile Live Streaming Industry in China**

Our core business has been and will continue to be the development and operation of mobile live streaming platform in China. As such, our results of operations will be affected by the development of the mobile live streaming industry in China, including the development of the live streaming advertising market. In addition, changes in the regulatory environment in China, especially those in relation to the live streaming industry, may impact our financial performance. Our ability to anticipate and respond to potential changes in government policies and regulations will have a significant effect on our future performance.

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### CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in the Accountant's Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

### Revenue Recognition

We generate revenues from our live streaming business and online advertising business from our Inke App. We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our activities, as described below.

#### *Live streaming*

We operate the Inke App and provide an internet infrastructure to enable streamers and viewers to interact through the platform. Our users can purchase Inke Diamonds, the virtual currency on our platform, and use them to purchase consumable virtual items, which they can present to other users as a gesture of friendship, admiration or support. Users can also purchase other services to enhance their interaction experiences. Our platform is open to all users for free, and we generate revenue from the sale of Inke Diamonds. We concluded that we take the primary responsibilities and has latitude in establishing the price of the virtual items and services. Accordingly, we record revenue on a gross basis.

Upon the sale of our virtual currency, we typically have an implied obligation to provide the services which enable the virtual currency to be usable on our platform. Proceeds received from users for the sales of virtual currencies are recorded as deferred revenue, representing prepayments received from users in the form of virtual currency not yet converted into virtual items, and are recognized as revenue based on the weighted average unit price of virtual currencies and quantities of virtual currencies converted into virtual items which are consumed simultaneously. The weighted average unit price of virtual currencies is calculated on a monthly basis as the deferred revenue at the beginning of the month plus proceeds received during the month divided by the corresponding quantity of virtual currencies. For those virtual items that will be extinguished shortly after consumption, the user will not continue to benefit from them and we do not have further obligations to the user

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after consumption. Therefore, revenue is recognized immediately when consumable virtual items are consumed. We also provide other value-added services that enable special privileges and abilities to the users over an extended period of time. Our revenue is recognized ratably over the beneficial period. Our revenue from durable virtual services is insignificant for all the years presented.

### *Advertising*

We generate advertising revenues from advertising arrangements with third parties who place their advertisements on our platform in different forms over a particular period of time. Such forms generally include banners, text-links, videos, logos and buttons. Advertisements on our platform are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenue from advertising contracts are recognized ratably over the contract period of display.

### **Current and Deferred Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the combined statement of comprehensive income or loss, except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity. In this case, the tax is also recognized in other comprehensive income or loss or directly in equity, respectively.

### *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### *Deferred income tax*

#### *(a) Inside basis differences*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### *(b) Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

### *(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **Share-based Compensation Benefits**

Shares issued by the Company to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognized as an employee benefits expense with a corresponding increase in equity.

## **Business Combinations**

Business combinations, other than common control business combinations, are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgement. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.



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### Fair Value of Financial Instruments with Preferred Rights

The fair value of financial instruments with preferred rights at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. We use our judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. We have used discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of financial instruments with preferred rights.

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Period from March 31 to December 31,	Year ended December 31,	
	2015	2016	2017
	(in RMB thousands)		
Revenue . . . . .	28,702	4,334,859	3,941,596
Cost of sales . . . . .	<u>(14,859)</u>	<u>(2,697,865)</u>	<u>(2,545,854)</u>
<b>Gross profit</b> . . . . .	13,843	1,636,994	1,395,742
Selling and marketing expenses . . . . .	(10,009)	(721,778)	(344,154)
Administrative expenses . . . . .	(1,793)	(227,314)	(95,963)
Research and development expenses . . . . .	(133)	(198,524)	(193,242)
Other (losses)/gains — net . . . . .	(5)	4,523	37,585
Other income . . . . .	<u>—</u>	<u>—</u>	<u>71,214</u>
<b>Operating profit</b> . . . . .	1,903	493,901	871,182
Finance income . . . . .	12	3,934	11,446
Finance costs . . . . .	—	(633)	(847)
Share of loss of investments accounted for using the equity method . . . . .	—	(2,941)	(1,510)
Fair value loss of financial instruments with preferred rights . . . . .	<u>(50,876)</u>	<u>(1,856,809)</u>	<u>(1,031,485)</u>
<b>Loss before income tax</b> . . . . .	(48,961)	(1,362,548)	(151,214)
Income tax expense . . . . .	<u>(455)</u>	<u>(104,578)</u>	<u>(88,295)</u>
<b>Loss for the period /year</b> . . . . .	<u><u>(49,416)</u></u>	<u><u>(1,467,126)</u></u>	<u><u>(239,509)</u></u>

### NON-IFRS MEASURE

To supplement our combined financial statements which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

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### Adjusted Net Profit

Adjusted net profit eliminates the effect of non-cash share-based compensation expenses and non-cash fair value loss of financial instruments with preferred rights. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our net profit/loss for the year.

The table below sets forth the reconciliation of adjusted net profit to loss for the period, the most directly comparable IFRS financial measure, for the periods indicated:

	Period from March 31 to December 31,	Year ended December 31,	
	2015	2016	2017
	(in RMB thousands)		
<b>Loss for the period /year</b> . . . . .	(49,416)	(1,467,126)	(239,509)
Add: non-cash fair value loss of financial instruments with preferred rights <sup>(1)</sup> . . . . .	50,876	1,856,809	1,031,485
Add: non-cash share-based compensation expenses <sup>(2)</sup> . . .	—	178,514	—
<b>Adjusted net profit</b> . . . . .	<b><u>1,460</u></b>	<b><u>568,197</u></b>	<b><u>791,976</u></b>

*Notes:*

- (1) Represents changes in fair value of the financial instruments with preferred rights issued by Beijing Meelive. The financial instruments are not traded in an active market and the fair value at respective reporting dates was determined using valuation techniques. Please refer to Note 24 to the Accountant's Report included in Appendix I to this prospectus for details of the key assumptions of the valuation.
- (2) Refers to share-based compensation benefits provided to certain employees via the employee share scheme. Please refer to Note 32 to the Accountant's Report included in Appendix I to this prospectus for more information.

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### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, we generated revenues from three business lines: live streaming, online advertising and others. We mainly operate our businesses in China, and substantially all of our revenue was generated from customers attributed to China. The following table sets forth our revenue breakdown by business line in absolute amounts and as percentages of our revenue for the periods indicated:

	Period from March 31 to December 31, 2015		Year ended December 31,			
			2016		2017	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Live streaming . . . . .	27,161	94.6	4,325,615	99.8	3,919,000	99.4
Online advertising . . . . .	—	—	9,244	0.2	22,435	0.6
Others . . . . .	1,541	5.4	—	—	161	0.0
<b>Total . . . . .</b>	<b>28,702</b>	<b>100.0</b>	<b>4,334,859</b>	<b>100.0</b>	<b>3,941,596</b>	<b>100.0</b>

#### *Live streaming*

During the Track Record Period, we generated substantially all our revenue from our live streaming business. We generated such revenue when users purchase virtual items and services on our live streaming platform.

Our live streaming revenue is primarily affected by the following key factors:

#### *Number of our active users and paying users*

We calculate the number of MAUs as the number of user account that has accessed our platform at least once during a given month. We calculate the number of MPUs as the number of user account that purchased Inke Diamonds at least once during a given month. The following table sets forth (i) average MAUs, (ii) average MPUs and (iii) gross billings on our platform during the periods indicated:

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2016				2017			
(in thousands)								
Average MAUs . . . . .	15,370	25,588	29,798	30,006	22,124	20,302	23,165	25,184
Average MPUs . . . . .	1,501	2,615	2,566	2,486	1,824	1,033	610	652
(in RMB million)								
Gross billings . . . . .	609	1,340	1,435	1,269	1,103	952	800	1,317

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We believe that we have been able to attract, engage and grow a vibrant base of paying users from 2015 to 2016 primarily because (i) the increase in our registered users and active users, which was in turn driven by the explosive growth of the mobile live streaming market in China and the high quality content on our platform, (ii) our efforts in converting our active users to paying users, for example by designing engaging yet lower-priced virtual items to attract users to try out our paid services, and (iii) the rapid development of online payment channels in China, which made it more convenient for our users to make payments on our platform using their mobile devices.

We believe that our average MAUs decreased from the first quarter of 2017 until the second quarter of 2017, and our average MPUs declined from the third quarter of 2016 until the third quarter of 2017, primarily because of (i) the slowdown of the industry-wide growth rate in active and paying user base in 2017 following the explosive growth the industry experienced in 2016; (ii) the decline in the activeness of a number of our users after the initial try-out period; (iii) further fragmentation of the mobile live streaming market in China as more companies were attracted to the market; and (iv) other online and offline entertainment choices available to our users. Despite the decreases in our average MPUs from the third quarter of 2016 until the third quarter of 2017, our quarterly gross billings decreased at a much slower rate over the same period. This is primarily because we were able to maintain a group of paying users with higher spending on our platform who contributed a major portion of our gross billings, and the size of such group had been relatively stable.

Our average MAUs started to increase again since the third quarter of 2017, with our average MPUs similarly started to increase as well since the fourth quarter of 2017, primarily because of the new features we introduced such as PK and Customized Recommendation.

### *Monthly average gross billing per paying user*

Monthly AGBPPU is calculated as gross billings in a given month divided by the number of paying users in that month. The following table sets of the average monthly AGBPPU on our platform during the periods indicated:

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2016				2017			
	(RMB)							
Average monthly AGBPPU . . . . .	133	172	186	172	202	314	436	673

Our average monthly AGBPPU increased from the first quarter to the second quarter of 2016, remained at a relatively stable level with minor fluctuations from the second quarter to the fourth quarter of 2016, followed by further increase thereafter. Such changes were mainly because some initial try-out users became less active. In addition, the new features that we launched such as PK and Customized Recommendation, which greatly enhanced the paying users' involvement and stickiness, and contributed to the significant increase of our average monthly AGBPPU in the fourth quarter of 2017.

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We expect that our revenue from live streaming business will increase as we further grow our platform and capitalize on monetization opportunities, and as the live streaming industry in China continues to grow.

### *Online advertising*

During the Track Record Period, we generated a small portion of our revenue from our online advertising business. A significant majority of such online advertising revenue was derived from pay-for-time arrangements under which we charged the advertisers depending on the duration of advertisements displayed on our platform.

We began to provide online advertising services in 2016. Historically, we had been focusing on our core business and had been relatively conservative in the development of our online advertising business. We only cooperated with a limited number of advertisers, and sought to design and develop advertisements that our users find interesting, engaging, and without inflicting a sense of unpleasant intrusion. As we subsequently built up our online advertising capabilities, including through the design of interesting and engaging advertisements and promotional campaigns, we were able to significantly scale revenue derived from our online advertising business in 2017.

Going forward, we plan to further develop our online advertising business by leveraging our improved advertising capabilities. We expect that revenue from online advertising business will continue to increase in both absolute amount and as a percentage of our total revenue, as we further expand our online advertising business.

### *Others*

During the Track Record Period, we generated an insignificant amount of revenue from our other businesses. Since the date of the establishment of Beijing Meelive on March 31, 2015, we generated other revenue in relation to certain technology support and management services we provided to Duomi Online. Please see the section headed “Business — Customers” for more information.

### **Cost of Sales**

Our cost of sales primarily comprises (i) streamer costs, (ii) payment handling costs, (iii) bandwidth and server custody costs, (iv) employee benefit expenses, (v) technical and professional service fees and (vi) other expenses.

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The following table sets forth a breakdown of our cost of sales in absolute amounts and as percentages of our revenue for the periods indicated:

Cost of sales	Period from March 31 to December 31, 2015		Year ended December 31,			
	RMB	%	2016		2017	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Streamer costs . . . . .	10,883	37.9	2,339,575	54.0	2,212,688	56.1
Payment handling costs . . . . .	1,393	4.9	164,805	3.8	97,341	2.5
Bandwidth and server custody costs . . . . .	1,395	4.9	122,287	2.8	122,045	3.1
Employee benefit expenses . . . . .	1,140	4.0	34,564	0.8	57,873	1.5
Technical and professional service fees . . . . .	2	0.0	25,553	0.6	9,951	0.3
Other expenses . . . . .	46	0.1	11,081	0.2	45,956	1.1
<b>Total . . . . .</b>	<b><u>14,859</u></b>	<b><u>51.8</u></b>	<b><u>2,697,865</u></b>	<b><u>62.2</u></b>	<b><u>2,545,854</u></b>	<b><u>64.6</u></b>

### *Streamer costs*

Streamer costs primarily comprise the revenue sharing arrangements we have with our streamers and commission charges we pay to the streamer agents. We expect that streamer costs will increase in absolute amount as we further grow our platform, attract more streamers to our platform and generate more revenue. We expect that streamer costs as a percentage of our revenue will remain largely stable although such cost may experience slight increase from time to time.

### *Payment handling costs*

Payment handling costs are payments made to payment channels such as Apple's App Store, WeChat Pay and Alipay, for the payment solutions they offer. These third-party payment channels typically charge handling fees for their services calculated as a certain percentage of payments made through their channels. We expect that payment handling costs will grow in line with the increase in our revenue assuming no material changes in the mix of payment channels used.

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The following table sets forth the gross billings and payment handling costs made to third party payment channels during the Track Record Period:

	Period from March 31, 2015 to December 31, 2015		Year ended December 31, 2016		Year ended December 31, 2017	
	Gross billings	Payment Handling Cost	Gross billings	Payment Handling Cost	Gross billings	Payment Handling Cost
	(In RMB thousand)					
WeChat Pay . . . . .	16,986	320	2,262,873	34,475	2,195,696	20,779
Alipay . . . . .	9,013	80	1,952,757	11,834	1,705,726	9,853
Apple . . . . .	3,310	993	402,064	114,271	215,498	64,976
Others . . . . .	<u>639</u>	<u>—</u>	<u>34,912</u>	<u>4,225</u>	<u>55,794</u>	<u>1,733</u>
<b>Total . . . . .</b>	<b><u>29,948</u></b>	<b><u>1,393</u></b>	<b><u>4,652,606</u></b>	<b><u>164,805</u></b>	<b><u>4,172,714</u></b>	<b><u>97,341</u></b>

As demonstrated by the table above, our payment handling cost decreased significantly from 2016 to 2017 as a higher percentage of users chose to make payments through WeChat Pay or Alipay, which charged 1% and 0.6% of the payments settled through them in 2017, respectively, instead of through Apple, which charged approximately 30% of the payments settled through it in 2017.

### *Bandwidth and server custody costs*

Bandwidth and server custody costs primarily consist of fees that we pay to telecommunication and other service providers for bandwidth purchased, for the network speed enhancement services they provide, and for hosting our servers at their internet data centers. We expect that bandwidth and server custody costs will increase in absolute amount as our business grow and as we release more services.

### *Employee benefit expenses*

Employee benefit expenses primarily consist of wages, pension costs, other social security costs, and housing benefits for our operating, maintenance and content monitoring personnel.

### *Technical and professional service fees*

Technical and professional service fees consist of services fees paid to different professional parties such as information technology consulting service providers.

### *Other expenses*

Our other expenses in our cost of sales primarily include content and copyright costs, traveling, entertainment and general office expenses, operating lease rentals, amortization of intangible assets, and depreciation of property, plant and equipment.



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### Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) promotion and advertising expenses, (ii) employee benefit expenses, (iii) traveling, entertainment and general office expenses, and (iv) other expenses.

Promotion and advertising expenses include costs of placing advertisements, acquiring traffic, holding promotional events and developing and designing marketing activities to attract user traffic to our platform. Employee benefit expenses primarily consist of wages, pension costs, other social security costs, and housing benefits for our sales and marketing and public relationship personnel.

The table below sets forth a breakdown of the components of our selling and marketing expenses in absolute amounts and as percentages of total revenue for the periods indicated:

Selling and marketing expenses	Period from March 31		Year ended December 31,			
	to December 31, 2015		2016		2017	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Promotion and advertising expenses . . . . .	9,138	31.8	705,427	16.3	323,397	8.2
Employee benefit expenses . . . . .	593	2.1	10,406	0.2	14,173	0.4
Travelling, entertainment and general office expenses . . . . .	106	0.4	1,507	0.0	3,110	0.1
Other expenses . . . . .	172	0.6	4,438	0.2	3,474	0.0
<b>Total . . . . .</b>	<b><u>10,009</u></b>	<b><u>34.9</u></b>	<b><u>721,778</u></b>	<b><u>16.7</u></b>	<b><u>344,154</u></b>	<b><u>8.7</u></b>

### Administrative Expenses

Our administrative expenses primarily consist of (i) share-based compensation expenses, (ii) employee benefit expenses, (iii) taxes and surcharges, (iv) technical and professional service fees, and (v) other expenses.

Share-based compensation expenses were in relation to the equity interest of Beijing Meelive subscribed by our key management members and employees through the Employees Shareholding Platforms in 2016. Employee benefit expenses primarily consist of wages, pension costs, other social security costs, and housing benefits for our administrative personnel. Technical and professional service fees consist of services fees paid to different professional parties such as information technology consulting service providers and legal service providers.

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The table below sets forth a breakdown of the components of our administrative expenses in absolute amounts and as percentages of total revenue for the periods indicated:

<u>Administrative expenses</u>	Period from March 31		Year ended December 31,			
	to December 31, 2015		2016		2017	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Share-based compensation expenses . . . . .	—	—	157,404	3.6	—	—
Employee benefit expenses . . . . .	744	2.6	17,268	0.4	38,975	1.0
Taxes and surcharges . . . . .	210	0.7	22,300	0.5	24,258	0.6
Technical and professional service fees . . .	435	1.5	17,529	0.4	16,077	0.4
Other expenses . . . . .	404	1.4	12,813	0.3	16,653	0.4
<b>Total . . . . .</b>	<b><u>1,793</u></b>	<b><u>6.2</u></b>	<b><u>227,314</u></b>	<b><u>5.2</u></b>	<b><u>95,963</u></b>	<b><u>2.4</u></b>

### Research and Development Expenses

Our research and development expenses primarily consist of (i) outsourced development costs, (ii) employee benefit expenses, (iii) share-based compensation expenses, and (iv) other expenses.

Outsourced development costs primarily consist of costs incurred as we engaged external developers to provide research and development services. Employee benefit expenses primarily consist of wages, pension costs, other social security costs, and housing benefits for our research and development personnel.

All of the expenses incurred in relation to our research and development initiatives are expensed rather than capitalized.

The table below sets forth a breakdown of the components of our research and development expenses in absolute amounts and as percentages of total revenue for the periods indicated:

<u>Research and development expenses</u>	Period from March 31		Year ended December 31,			
	to December 31, 2015		2016		2017	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Outsourced development costs . . . . .	—	—	137,286	3.2	55,645	1.4
Employee benefit expenses . . . . .	—	—	34,307	0.8	116,802	3.0
Share-based compensation expenses . . . . .	—	—	21,110	0.5	—	—
Other expenses . . . . .	133	0.5	5,821	0.1	20,795	0.5
<b>Total . . . . .</b>	<b><u>133</u></b>	<b><u>0.5</u></b>	<b><u>198,524</u></b>	<b><u>4.6</u></b>	<b><u>193,242</u></b>	<b><u>4.9</u></b>

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The significant increase in employee benefit expenses from 2016 to 2017 was primarily resulting from the increase in the number of our research and development staff as we enhanced our in-house research and development capabilities.

### Other Gains/(Losses), Net

Our other gains/(losses), net primarily include fair value gain on financial assets at fair value through profit or loss, losses from impairment provision of investment in associates, donations, penalty and others. The following chart sets forth our major financial assets investments measured at fair value through profit or loss as at December 31, 2017:

<u>Name of Investees</u>	<u>Principal Business</u>	<u>Share Ownership (upon completion of investment)</u>
Beijing Qingliu Dingdian Technology Co., Ltd. . . . . .	Software development	11%
Miaoa (Beijing) Technology Limited . . . . .	Technology	10%

### Other Income

Other income primarily comprises government grants we received, which include government rewards to reward our support to the development of local economy and value-added tax subsidies. Government grants are recognized at their fair value where there is a reasonable assurance that the grant subsidies will be received and we will comply with all the attached conditions of the government grants.

### Finance Income, Net

Finance income, net primarily comprises interest income, net of interest expense.

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### Share of Loss of Investments Accounted for Using the Equity Method

Share of loss of investments accounted for using the equity method refers to our share of the losses of the associates and joint ventures we invested in that were accounted for using the equity method. The following chart sets forth the entities we invested in that were accounted for using the equity method:

Name of Investees	Principal Business	Share Ownership
Beijing Yingtianxia Network Technology Co., Ltd. . . . .	Streamer management and advertising agency	62.11%
Hunan Haohan Internet Microcredit Co., Ltd. . . . .	Consumer finance (Had not commenced operations as of December 31, 2017)	30%
Ningbo Meishan Bonded Port Area Qingyuwanfeng Equity Investment Partnership (Limited Partnership) . . . . .	Investment	99.98%
Ningbo Meishan Bonded Port Area Qingshanshangfeng Equity Investment Partnership (Limited Partnership) . . . . .	Investment	99.93%
Guangying Shidai Beijing Technology Limited . . . . .	Science and technology services	10%
Beijing Yingwu Technology Limited . . . . .	Streaming	40%

We carefully select our investees and focus on companies with high growth potential and convincing synergies with our existing platform and business. Specifically, we invested in Hunan Haohan Internet Microcredit Co., Ltd., a consumer finance company, because we believe it would have synergies with our live streaming business, since many of the users on our Inke App are young and active consumers, and have financing needs that are not sufficiently addressed by traditional financial institutions. As of December 31, 2017, Hunan Haohan Internet Microcredit Co., Ltd. had not yet commenced its operations.

### Fair Value Loss of Financial Instruments with Preferred Rights

Fair value loss of financial instruments with preferred rights represents changes in fair value of the financial instruments with preferred rights issued by Beijing Meelive. For the period/years ended December 31, 2015, 2016 and 2017, our fair value loss of financial instruments with preferred rights was RMB50.9 million, RMB1,856.8 million and RMB1,031.5 million, respectively. The financial instruments are not traded in an active market and the fair value at respective reporting dates was determined using valuation techniques. Please refer to Note 24 to the Accountant's Report included in Appendix I to this prospectus for details of the key assumptions of the valuations.

We monitor the financial instruments on a fair value basis in accordance with our risk management strategy and designate them as financial liabilities at fair value. Any changes in the fair value of the financial instruments are recorded as "fair value loss of financial instruments with preferred rights" in the combined statements of comprehensive income.

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### TAXATION

#### Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, are exempted from Cayman Islands income tax.

#### Hong Kong

Hong Kong profits tax rate is 16.5% for the years ended December 31, 2016 and 2017. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

#### PRC

Our and Beijing Meelive's subsidiaries in China are subject to Enterprise Income Tax ("EIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("EIT Law"). Pursuant to the EIT Law, our and Beijing Meelive's subsidiaries in China are generally subject to EIT at the statutory rate of 25%.

However, the EIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. The EIT Law provides that companies qualifying as "software enterprises" can enjoy a two-year EIT exemption followed by a three-year 50% EIT rate reduction commencing from the first profit-marking year after the qualification.

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The following table sets out the tax benefits and applicable EIT rate of Beijing Meelive's subsidiaries in China:

Entity Name	Date of Incorporation	Tax benefit	Applicable EIT rate in		
			2015	2016	2017
Beijing Meelive . . . . .	March 31, 2015	Qualified as a high-tech enterprise since 2016, and is subject to a 15% EIT rate from 2016 to 2018.	25%	15%	15%
Beijing Inke . . . . .	July 5, 2016	No tax benefit.	N/A	25%	25%
Huai'an Inke . . . . .	June 15, 2017	No tax benefit.	N/A	25%	25%
Hunan Anyue . . . . .	September 20, 2016	No tax benefit.	N/A	25%	25%
Hunan Enjoy . . . . .	April 18, 2017	No tax benefit.	N/A	N/A	25%
Hunan Inke . . . . .	May 30, 2016	Qualified as a software enterprise since 2017, and is subject to 0% EIT rate from 2017 to 2018, and is subject to a 12.5% of EIT rate from 2019 to 2021.	N/A	25%	0
Hunan Xiangsheng . . . . .	September 20, 2016	No tax benefit.	N/A	25%	25%
Hunan Tiantianxiangshang . . .	May 19, 2009	No tax benefit.	25%	25%	25%
Ningbo Inke . . . . .	May 31, 2016	No tax benefit.	N/A	25%	25%
Shanghai Meelive . . . . .	June 7, 2016	No tax benefit.	N/A	25%	25%
Haomei Information . . . . .	December 26, 2016	No tax benefit.	N/A	25%	25%

After deduction of the financial impact of non-cash fair value loss of financial instruments with preferred rights and share-based compensation expenses, our effective tax rate was 23.8%, 15.5% and 10.0% in 2015, 2016 and 2017. The decrease from 2016 to 2017 was primarily because Hunan Inke qualified as a software enterprise since 2017 and enjoyed the EIT tax rate benefit granted by the local government.

### YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

#### Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

##### *Revenue*

Our revenue decreased by 9.1% from RMB4.3 billion in 2016 to RMB3.9 billion in 2017.

##### *Live streaming*

Revenue from our live streaming business decreased by 9.4% from RMB4.3 billion in 2016 to RMB3.9 billion in 2017, primarily due to the decrease of our MPUs since the third quarter of 2016, which was in turn because of (i) the slowdown of the industry-wide growth rate in active and paying user base in 2017 following the explosive growth the industry experienced in 2016; (ii) the decline in the activeness of a number of

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our users after the initial try-out period; (iii) further fragmentation of the mobile live streaming market in China as more companies were attracted to the market; and (iv) other online and offline entertainment choices available to our users. The decrease in MPUs were partially offset by the continued increase in our monthly AGBPPU. We were able to maintain a relatively stable group of paying users with higher spending on our platform who contributed a major portion of our gross billings.

### *Online advertising*

Revenue from our online advertising business increased by 142.7% from RMB9.2 million in 2016 to RMB22.4 million in 2017 as we further developed our online advertising capabilities and attracted more advertisers in 2017.

### *Cost of sales*

Our cost of sales decreased by 5.6% from RMB2.7 billion in 2016 to 2.5 billion in 2017.

### *Streamer costs*

Our streamer costs decreased by 5.4% from RMB2.3 billion in 2016 to RMB2.2 billion in 2017. The decrease in our streamer costs from 2016 to 2017 was primarily because of the decrease in our live streaming revenues, partially offset by a slight increase in the percentage of revenue shared with our streamers.

### *Payment handling costs*

Our payment handling costs decreased by 40.9% from RMB164.8 million in 2016 to RMB97.3 million in 2017, which was primarily resulting from (i) the decrease in our revenues; (ii) changes in the mix of the third party payment channels our users used in 2017, as more users chose to make payments through WeChat Pay or Alipay, which charged 1% and 0.6% of the payments settled through them in 2017, respectively, instead of through Apple, which charged approximately 30% of the payments settled through it in 2017; and (iii) WeChat Pay lowered the payment handling fee rates from 2% to 1% in August 2016.

### *Bandwidth and server custody costs*

Our bandwidth and server custody costs remained largely stable at RMB122.3 million in 2016 and RMB122.0 million in 2017.

### *Gross profit*

As a result of the foregoing, our gross profit decreased from RMB1.6 billion in 2016 to RMB1.4 billion in 2017. Our gross profit margin decreased from 37.8% in 2016 to 35.4% in 2017.



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### *Selling and marketing expenses*

Our selling and marketing expenses decreased by 52.3% from RMB721.8 million in 2016 to RMB344.2 million in 2017. The decrease was primarily because of a decrease in promotion and advertising expenses from RMB705.4 million in 2016 to RMB323.4 million in 2017. The relatively higher promotion and advertising expenses in 2016 was primarily driven by our focused efforts to build our brand image and to quickly capture users when we initially launched our Inke App. We have also refined our advertising and marketing strategies in 2017 and improved the efficiency of our marketing efforts, which we evaluate using a variety of metrics such as customer acquisition costs, user retention rates, streaming, viewing and spending behaviors of the users acquired, as well as our overall financial performance. According to Frost & Sullivan, after the explosive growth experienced in 2016, the mobile live streaming industry entered into a fragmentation stage in 2017, with many new players entered into the market and a number of platforms incurred hefty expenses in their marketing and promotional efforts to attract user traffic. At the time, we strategically chose not to pursue a similar cash-burning marketing strategy as we believe that such efforts would have been overly expensive and inefficient.

### *Administrative expenses*

Our administrative expenses decreased by 57.8% from RMB227.3 million in 2016 to RMB96.0 million in 2017. The difference was primarily driven by the one-off share-based compensation expenses incurred in 2016, partially offset by an increase in employee benefit expenses from RMB17.3 million in 2016 to RMB39.0 million in 2017.

### *Research and development expenses*

Our research and development expenses decreased by 2.7% from RMB198.5 million in 2016 to RMB193.2 million in 2017. The decrease was primarily because of savings in outsourced development costs as we enhanced our own research and development capabilities, and increased efficiency from our own research and development efforts.

### *Other gains/(losses), Net*

We had other gains, net of RMB37.6 million in 2017, which was primarily because of the fair value gain on financial assets in the amount of RMB54.5 million generated by the wealth management products and equity investments. Other gains, net was partially offset by (i) a provision we made in relation to a legal claim in the amount of RMB8.8 million (See the section headed “Business — Legal Proceedings” for more information), and (ii) donations in the amount of RMB6.8 million that we contributed to several charitable events.

### *Other income*

We had other income of RMB71.2 million in 2017, which was attributable to the government grants we received including: (i) value-added tax subsidies received by our operating entities in an amount of RMB48.2 million, and (ii) government rewards received by our operating entities in an amount of RMB23.0 million. We did not have other income in 2016.

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### *Operating profit*

As a result of the foregoing, our operating profit increased from RMB493.9 million in 2016 to RMB871.2 million in 2017. Our operating profit margin increased from 11.4% in 2016 to 22.1% in 2017.

### *Finance income, net*

Our finance income, net increased from RMB3.3 million in 2016 to RMB10.6 million in 2017. This was primarily due to increased interest income from our bank deposits as a result of an increase in cash balances.

### *Share of loss of investments accounted for using the equity method*

Our share of loss of investments accounted for using the equity method decreased by 48.7% from RMB2.9 million in 2016 to RMB1.5 million in 2017.

### *Fair value loss of financial instruments with preferred rights*

Our fair value loss of financial instruments with preferred rights decreased by 44.4% from RMB1.9 billion in 2016 to RMB1.0 billion in 2017.

### *Loss before income tax*

As a result of the foregoing, our loss before income tax decreased from RMB1.4 billion in 2016 to RMB151.2 million in 2017.

### *Income tax expense*

Our income tax expense decreased from RMB104.6 million in 2016 to RMB88.3 million in 2017. This was primarily attributable to the decrease in the effective tax rate from 15.5% in 2016 to 10.0% in 2017, which was primarily because Hunan Inke enjoyed a tax benefit granted by the local government because it qualifies as a software company, partially offset by an increase in our taxable income.

### *Loss for the year*

As a result of the foregoing, our loss for the year decreased by 83.7% from RMB1.5 billion in 2016 to RMB239.5 million in 2017.

### *Adjusted net profit*

As a result of the foregoing, our adjusted net profit increased by 39.4% from RMB568.2 million in 2016 to RMB792.0 million in 2017.

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### Year Ended December 31, 2016 Compared with the Period from March 31, 2015 to December 31, 2015

#### *Revenue*

Our revenue increased substantially from RMB28.7 million in 2015 to RMB4.3 billion in 2016.

#### *Live streaming*

Revenue from our live streaming business increased from RMB27.2 million in 2015 to RMB4.3 billion in 2016, primarily due to the significant growth in the number of active users and paying users on our platform. The increase in the number of active and paying users was primarily due to (i) the explosive growth of the mobile live streaming industry in China in 2016; (ii) the high quality content on our platform, (iii) our success in converting our active users to paying users, including for example, by designing engaging yet lower-priced virtual items that are attractive to users, and (iv) the rapid development of online payment channels in China, which made it more convenient for our users to make payments on our platform using their mobile devices.

#### *Online advertising*

Revenue from our online advertising business was RMB9.2 million in 2016. As we only started our online advertising business in 2016, we did not have revenue from such business in 2015.

#### *Cost of sales*

Our cost of sales increased significantly from RMB14.9 million in 2015 to RMB2.7 billion in 2016. The increase in cost of sales was generally in line with the rapid expansion of our business.

#### *Streamer costs*

Our streamer costs increased from RMB10.9 million in 2015 to RMB2.3 billion in 2016. The increase in our streamer costs from 2015 to 2016 was primarily due to the increase in our live streaming revenue.

#### *Payment handling costs*

Our payment handling costs increased from RMB1.4 million in 2015 to RMB164.8 million in 2016, which was primarily due to increase in the amount of payment made through third party payment channels.

#### *Bandwidth and server custody costs*

Our bandwidth and server custody costs increased from RMB1.4 million in 2015 to RMB122.3 million in 2016, which was primarily due to increases in bandwidth and server usage as a result of the increase in the number of our active users, the average streaming or viewing hours by our users, and the additional content and features we offered.

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### *Gross profit*

As a result of the foregoing, our gross profit increased from RMB13.8 million in 2015 to RMB1.6 billion in 2016. Our gross profit margin decreased from 48.2% in 2015 to 37.8% in 2016.

### *Selling and marketing expenses*

Our selling and marketing expenses increased from RMB10.0 million in 2015 to RMB721.8 million in 2016. The increase was primarily driven by (i) an increase in promotion and advertisement expenses from RMB9.1 million to RMB705.4 million, resulted from our enhanced efforts in marketing activities in 2016 such as placing pre-show advertisements in cinemas and on online channels, as well as sponsoring or cooperating with the producers of TV shows and live concerts and (ii) an increase in employee benefit expenses of our sales and marketing personnel primarily due to a significant increase in the number of our sales and marketing staff in 2016 as our business grew.

### *Administrative expenses*

Our administrative expenses increased from RMB1.8 million in 2015 to RMB227.3 million in 2016. The increase was primarily driven by (i) an increase in share-based compensation from nil to RMB157.4 million as we granted to our key management members and employees certain share-based incentives in 2016, (ii) an increase in the tax and surcharges we paid in 2016 as a result of our growth, (iii) an increase in employee benefit expenses primarily due to a significant increase in the number of our administrative staff in 2016 as our business grew and (iv) an increase in technical and professional service fees.

### *Research and development expenses*

Our research and development expenses increased from RMB133 thousand in 2015 to RMB198.5 million in 2016, primarily driven by significant investment made to develop our platform during the initial launch of our Inke App. Such increase relates specifically to: (i) an increase in development costs, as we engaged external consultants in relation to the development of our video/audio technologies in 2016, (ii) an increase in employee benefit expenses of our research and development staff and (iii) increases in share-based compensation in relation to the share incentive scheme granted in 2016.

### *Other gains/(losses), Net*

We had other losses, net of RMB5.0 thousand in 2015, which was primarily due to penalty payments incurred in 2015. See “Business — Legal Proceedings — Non-compliance” for more information about this isolated incident of non-compliance. We had other gains, net of RMB4.5 million in 2016, which was primarily because of the fair value gain on financial assets in the amount of RMB6.2 million in 2016 generated by the wealth management products we purchased from banks. The other gains were partially offset by donations to several charitable events in the amount of RMB1.5 million.

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### *Operating profit*

As a result of the foregoing, our operating profit increased from RMB1.9 million in 2015 to RMB493.9 million in 2016. Our operating profit margin increased from 6.6% in 2015 to 11.4% in 2016.

### *Finance income, net*

Our finance income, net increased from RMB12 thousand in 2015 to RMB3.3 million in 2016. This was primarily due to increased interest income from our bank deposits as a result of an increase in cash balances.

### *Share of loss of investments accounted for using the equity method*

Our share of loss of investments accounted for using the equity method amounted to RMB2.9 million in 2016. We did not have share of loss of investments accounted for using the equity method in 2015.

### *Fair value loss of financial instruments with preferred rights*

Our fair value loss of financial instruments with preferred rights increased from RMB50.9 million in 2015 to RMB1.9 billion in 2016.

### *Loss before income tax*

As a result of the foregoing, our loss before income tax increased from RMB49.0 million in 2015 to RMB1.4 billion in 2016.

### *Income tax expense*

Our income tax expense increased from RMB455 thousand in 2015 to RMB104.6 million in 2016. This was primarily attributable to increases in our taxable income.

### *Loss for the year*

As a result of the foregoing, our loss for the year was RMB49.4 million and RMB1.5 billion respectively in 2015 and 2016.

### *Adjusted net profit*

As a result of the foregoing, our adjusted net profit increased from RMB1.5 million in 2015 to RMB568.2 million in 2016.

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### LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital and other capital requirements primarily through capital contributions from shareholders and cash generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, the net proceeds received from the Global Offering, and other funds raised from the capital markets from time to time. We currently do not have any plans for material additional external financing.

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

	Period from March 31 to December 31, 2015	Year ended December 31,	
		2016	2017
	(in RMB thousands)		
Net cash generated from operating activities . . . . .	14,108	1,293,098	734,173
Net cash used in investing activities . . . . .	(46,474)	(128,741)	(106,166)
Net cash generated from financing activities . . . . .	<u>50,000</u>	<u>228,525</u>	<u>143,890</u>
Net increase in cash and cash equivalents . . . . .	17,634	1,392,882	771,897
Cash and cash equivalents at beginning of year/period . . . . .	—	17,634	1,410,880
Exchange gains on cash and cash equivalents . . . . .	—	364	—
Cash and cash equivalents at end of year/period . . . . .	<u>17,634</u>	<u>1,410,880</u>	<u>2,182,777</u>

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range per Offer Share), our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next twelve months from the date of this prospectus.

#### Net Cash Generated from Operating Activities

For 2017, our net cash generated from operating activities was RMB734.2 million, which was primarily attributable to our loss before income tax of RMB151.2 million, adjusted by adding back the non-cash items, primarily comprising fair value loss of financial instruments with preferred rights of RMB1,031.5 million. The amount was further adjusted by changes in working capital, which primarily comprised (i) an increase in deferred revenue of RMB18.0 million as a result of growth of our platform and user base. (ii) a decrease in other receivables, prepayments, deposits and other assets of RMB14.8 million, and (iii) an increase in accruals and other payables of RMB25.9 million. We also paid income tax of RMB167.1 million.

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For 2016, our net cash generated from operating activities was RMB1,293.1 million, which was primarily attributable to our loss before income tax of RMB1,362.5 million, adjusted by adding back the non-cash items, primarily comprising fair value loss of financial instruments with preferred rights of RMB1,856.8 million, and share-based compensation of RMB178.5 million. The amount was further adjusted by changes in working capital, which primarily comprised (i) an increase in accounts payables of RMB626.9 million following the massive growth of our business in 2016, resulted in significantly increased revenue and streamer costs payables, (ii) an increase in accruals and other payables of RMB76.1 million, which mainly consists of taxes, salaries and welfare payables given our expanded employee base, and (iii) an increase in deferred revenue of RMB66.5 million as a result of our quickly expanded user base and revenue in 2016, partially offset by (i) an increase in accounts receivables of RMB37.0 million, and (ii) an increase in other receivables, prepayments, deposits and other assets of RMB87.3 million, both as results of our business growth in 2016. We also paid income tax of RMB24.8 million.

For 2015, our net cash generated from operating activities was RMB14.1 million, which was primarily attributable to our loss before income tax of RMB49.0 million, adjusted by adding back the non-cash items, primarily comprised of fair value loss of financial instruments with preferred rights of RMB50.9 million. The amount was further adjusted by changes in working capital, which primarily comprised of (i) increase in accounts payables of RMB10.0 million and (ii) increase in accruals and other payables of RMB5.8 million, which was partially offset by (i) an increase in accounts receivables of RMB3.1 million and (ii) an increase in other receivables, prepayments, deposits and other assets of RMB1.4 million. We did not incur cash outflow for income tax payment in 2015.

### **Net Cash Used in Investing Activities**

For 2017, our net cash used in investing activities was RMB106.2 million, which was primarily attributable to (i) payments for investments in wealth management products of RMB1.8 billion which mainly include low-risk wealth management products we purchased from banks, offset by proceeds from disposal of investments in wealth management products of RMB1.8 billion; (ii) payments for investments in associates and joint ventures of RMB174.3 million; and (iii) proceeds from disposal of non-current financial assets at fair value through profit and loss of RMB109.8 million.

For 2016, our net cash used in investing activities was RMB128.7 million, which was primarily attributable to (i) payments for investments in wealth management products of RMB1.3 billion, offset by proceeds from disposal of investments in wealth management products of RMB1.4 billion and (ii) payments for investments in non-current financial assets at fair value through profit and loss of RMB136.7 million.

For 2015, our net cash used in investing activities was RMB46.5 million, which was primarily attributable to payments for investments in wealth management products of RMB45.0 million.

### **Net Cash Generated from Financing Activities**

For 2017, our net cash generated from financing activities was RMB143.9 million, which was attributable to proceeds from the issuance of equity with preferred rights to our Series B Investors and capital injection from Investors.



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For 2016, our net cash generated from financing activities was RMB228.5 million, which was attributable to proceeds from the issuance of equity with preferred rights to our Series A Investors and Series B Investors.

For 2015, our net cash generated from financing activities was RMB50.0 million, which was attributable to proceeds from the issuance of equity with preferred rights to our Angel Investor and Series A Investors.

### **Treasury Policy**

During the Track Record Period, as part of our cash management and investment policy, we invested in certain wealth management products issued by China Merchants Bank, Bank of China and Industrial Bank, which were mainly comprised of structural deposits products from such banks. Such products are principal-protected, and we can receive 100% of our principal back so long as we hold such products to maturity. We may also receive additional interest, depending on the performance of the underlying investment product. The structural deposits products we purchased typically have a tenure of 14 to 90 days, and have an expected interest rate of approximately 2.0% to 4.8%. Due to the nature of our business, we generate significant cash inflows, but in the meantime we have high liquidity needs. Therefore, our Directors were of the view that such principal-protected wealth management products with decent expected returns are suitable for us. Historically, we had never recorded any losses in connection with these short-term investments.

We make these short-term investments only when our internal cash flow and liquidity forecast indicates that we have sufficient capital resources for our operating activities and our capital expenditure. Therefore, we believe that these short-term investments do not have any adverse effect on our liquidity while enable us to generate additional income stream with minimal risk.

We have established and implemented capital and investment policies to monitor and control the risks relating to our investment activities, among others:

- we only make investments in wealth management products in situations where we have surplus cash, and we require our finance department to prepare daily reports and weekly reports of our surplus cash, and to promptly report to the relevant supervisors;
- we only make investments in low-risk products (such as principal-protected products), and the investments shall be non-speculative in nature;
- our capital management policy clearly sets forth the approval authorities of the manager of our finance department, our chief financial officer and our chief executive officer. Investments in wealth management products require the prior approval of our chief financial officer, and the relevant documents have to be reviewed by our chief executive officer first.

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### ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

#### Net Current Assets

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As at December 31,			As at
	2015	2016	2017	April 30, 2018
	(in RMB thousands)			(unaudited)
<b>Current assets</b>				
Inventories . . . . .	—	—	107	109
Accounts receivables . . . . .	3,102	40,078	42,861	15,994
Other receivables, prepayments, deposits and other assets . . . . .	60,791	227,125	100,842	119,884
Financial assets at fair value through profit and loss . . . .	45,000	—	—	—
Cash and cash equivalents . . . . .	17,634	1,410,880	2,182,777	2,386,303
Restricted cash . . . . .	—	—	8,800	8,800
<b>Total current assets . . . . .</b>	<b><u>126,527</u></b>	<b><u>1,678,083</u></b>	<b><u>2,335,387</u></b>	<b><u>2,531,090</u></b>
<b>Current liabilities</b>				
Accounts payables . . . . .	9,980	622,798	625,897	626,538
Other payables and accruals . . . . .	5,774	82,509	113,034	44,439
Current income tax liabilities . . . . .	5,168	88,992	2,713	8,454
Deferred revenue . . . . .	929	67,443	103,597	128,450
Borrowings . . . . .	—	—	14,090	—
Provisions . . . . .	—	—	8,800	8,800
<b>Total current liabilities . . . . .</b>	<b><u>21,851</u></b>	<b><u>861,742</u></b>	<b><u>868,131</u></b>	<b><u>816,681</u></b>
<b>Net current assets . . . . .</b>	<b><u>104,676</u></b>	<b><u>816,341</u></b>	<b><u>1,467,256</u></b>	<b><u>1,717,409</u></b>

#### Accounts Receivables

The following table sets forth a breakdown of our accounts receivables as of the dates indicated:

	As at December 31,		
	2015	2016	2017
	(in RMB thousands)		
Accounts receivables . . . . .	3,102	40,078	42,861
Less: allowance for impairment of accounts receivables . . . . .	—	—	—
	<u>3,102</u>	<u>40,078</u>	<u>42,861</u>

## FINANCIAL INFORMATION

As at December 31, 2015, 2016 and 2017, except for the impaired receivables, the majority of the remaining balances of accounts receivables are due from Apple Inc., which usually settles the amounts due within a period of 30 to 120 days.

The following table sets forth an aging analysis of our accounts receivables, based on the invoice date and net of allowance of doubtful debts, as of the dates indicated:

	As at December 31,		
	2015	2016	2017
	(in RMB thousands)		
Accounts receivables			
— Up to 3 months . . . . .	3,102	33,832	36,104
— 3 to 6 months . . . . .	—	5,422	2,540
— 6 months to 1 year . . . . .	—	824	4,217
Total . . . . .	3,102	40,078	42,861

As at December 31, 2016 and 2017, accounts receivables of RMB6.2 million and RMB14.4 million were past due but not impaired. These accounts receivables relate to online payment channels for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. Other than the above, as of December 31, 2015, 2016 and 2017, only insignificant amounts of the remaining balances were past due. No impairment provision was considered necessary against these balances after our management had performed assessment on their credit quality with reference to historical counterparty default rates.

The following table sets forth our accounts receivables turnover days for the Track Record Period:

	As at December 31,		
	2015	2016	2017
	(days)		
Accounts receivables turnover days <sup>(1)</sup> . . . . .	14.8	1.8	3.8

*Note:*

(1) Accounts receivables turnover days for a period are calculated using the average of opening balance and closing balance of accounts receivables for such period divided by revenue for the relevant period and multiplied by the number of days during such period.

Changes in our accounts receivables turnover days during the Track Record Period were affected by the rapid expansion of our business in 2016. This has resulted in significantly higher accounts receivables at the end of 2016 as compared to such amount at the end of 2015, the year in which we launched our business. As the calculation of accounts receivable turnover days averages the accounts receivables at the beginning and the end of the period, the average accounts receivables in 2016 were significantly lower than that at year end. This then resulted in accounts receivables turnover days in 2016 that may not be representative of our business had there not be such significant change in accounts receivables in 2016.

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## FINANCIAL INFORMATION

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In addition to the foregoing:

- accounts receivables related to other revenues in 2015, which had longer credit terms, contributed to the decrease in our accounts receivables turnover days from 14.8 days in 2015 to 1.8 days in 2016; and
- accounts receivables from advertisers, which typically had longer credit terms, increased in 2017 as compared to 2016 and contributed to the increase in our accounts receivables turnover days from 1.8 days in 2016 to 3.8 days in 2017.

Of the RMB42.9 million account receivables outstanding as of December 31, 2017, RMB35.5 million (82.8%) had been settled as of April 30, 2018.

### Accounts payables and other accruals

The following table sets forth an aging analysis of our accounts payables as of the dates indicated:

	As at December 31,		
	2015	2016	2017
	(in RMB thousands)		
Accounts payables			
— Up to 3 months . . . . .	9,973	442,717	329,889
— 3 to 6 months . . . . .	7	74,459	37,545
— 6 months to 1 year . . . . .	—	102,634	31,869
— 1 to 2 years . . . . .	—	2,988	226,594
Total . . . . .	9,980	622,798	625,897

Our accounts payables to streamers amounted to RMB9.1 million, RMB462.6 million and RMB552.8 million as of December 31, 2015, 2016 and 2017, respectively. Our accounts payables to non-streamer suppliers amounted to RMB0.9 million, RMB160.2 million and RMB73.1 million as of December 31, 2015, 2016 and 2017, respectively. Our accounts payables to non-streamer suppliers increased dramatically from 2015 to 2016, primarily because the payables in relation to our technical and professional service fee and promotion and advertisement expenses increased significantly as our business grew. Our accounts payables to non-streamer suppliers decreased from 2016 to 2017, which was primarily driven by (i) a decrease in payables in relation to professional service fees, which decreased primarily because we have built a stronger in-house research and development team; and (ii) a decrease in payables in relation to promotion and advertising expenses, which decreased because we refined our advertising and marketing strategies in 2017.

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## FINANCIAL INFORMATION

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The following table sets forth our accounts payables turnover days for the Track Record Period:

	As at December 31,		
	2015	2016	2017
			(days)
Accounts payables turnover days <sup>(1)</sup> . . . . .	91.9	42.8	89.5

*Note:*

(1) Accounts payables turnover days for a period are calculated using the average of opening balance and closing balance of accounts payables for such period divided by costs of sales for the relevant period and multiplied by the number of days during such period

Changes in our accounts payables turnover days during the Track Record Period were affected by the rapid expansion of our business in 2016. This has resulted in significantly higher accounts payables at the end of 2016 as compared to such amount at the end of 2015, the year in which we launched our business. As the calculation of accounts payables turnover days averages the accounts payables at the beginning and the end of the period, the average accounts payables in 2016 were significantly lower than that at year end. This then resulted in accounts payables turnover days in 2016 that may not be representative of our business had there not be such significant change in accounts payables in 2016.

In addition to the foregoing, accounts payables from suppliers that are not streamers, which typically have shorter accounts payable turnover days, increased in 2016 as compared to 2015, which contributed to the decrease in our accounts payables turnover days from 91.9 days to 42.8 days. On the other hand, notwithstanding the effect as described in the foregoing paragraph, accounts payables turnover days remained relatively stable between 2016 and 2017.

Of the RMB625.9 million account payables outstanding as of December 31, 2017, RMB305.7 million (48.8%) had been settled as of April 30, 2018.

### CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures consist of acquisition of property and equipment and acquisition of intangible assets. Our total capital expenditures in 2015, 2016 and 2017 were RMB0.4 million, RMB20.2 million and RMB75.0 million, respectively. Capital expenditures for 2015 and 2016 primarily consisted of purchases of computer equipment. Capital expenditures for 2017 primarily consisted of leasehold improvement and purchases of intangible assets.

We lease servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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## FINANCIAL INFORMATION

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The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		
	2015	2016	2017
	(in RMB thousands)		
No later than 1 year . . . . .	758	16,705	20,652
Later than 1 year and no later than 5 years . . . . .	—	46,168	21,738
<b>Total</b> . . . . .	<b><u>758</u></b>	<b><u>62,873</u></b>	<b><u>42,390</u></b>

### RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see note 36 to the historical financial information in the Accountant's Report set forth in Appendix I to this prospectus.

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

### INDEBTEDNESS

Our total outstanding borrowings amounted to nil, RMB14.1 million, RMB14.1 million and nil as at December 31, 2015, 2016 and 2017 and April 30, 2018.

Apart from intra-group liabilities and normal account and other payables in the ordinary course of business, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, banking facilities (utilized or unutilized), bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of April 30, 2018, being our indebtedness statement date.

Our Directors confirm that, as at the date of this prospectus, there is no material change in the Company's indebtedness since April 30, 2018.

### CONTINGENT LIABILITIES

As of December 31, 2015, 2016 and 2017, we did not have any material contingent liabilities.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

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

	Period from March 31 to/ As of December 31, <u>2015</u>	Year ended/As of December 31, <u>2016</u> <u>2017</u>	
		(%)	
<b>Profitability</b>			
Gross margin <sup>(1)</sup> . . . . .	48.2	37.8	35.4
Net margin <sup>(2)</sup> . . . . .	(172.2)	(33.8)	(6.1)
Adjusted net margin <sup>(3)</sup> . . . . .	5.1	13.1	20.1
		(times)	
<b>Liquidity</b>			
Current ratio <sup>(4)</sup> . . . . .	5.8	1.9	2.7

*Notes:*

- (1) Gross margin is calculated by dividing gross profit by our revenues.
- (2) Net margin is calculated by dividing profit/(loss) for the period/year by our revenues.
- (3) Adjusted net margin is calculated by dividing adjusted net profit by revenues.
- (4) Current ratio is calculated by dividing current assets by current liabilities.

### Gross Margin

Our gross margin decreased from 48.2% in 2015 to 37.8% in 2016 and to 35.4% in 2017. See “— Year to Year Comparison of Results of Operations” for the analysis on our gross margin.

### Net Margin

Our net margin improved from -172.2% in 2015 to -33.8% in 2016 and to -6.1% in 2017.

### Adjusted Net Margin

Our adjusted net margin increased from 5.1% in 2015 to 13.1% in 2016 and to 20.1% in 2017. See “— Year to Year Comparison of Results of Operations” for the analysis on our adjusted net margin.

### Current Ratio

Our current ratio decreased from 5.8 times in 2015 to 1.9 times in 2016, primarily attributable to the significantly increased accounts payable from 2015 to 2016 as our business grew, partially offset by the increase



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## FINANCIAL INFORMATION

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in cash and cash equivalents. Our current ratio increased to 2.7 times in 2017, primarily because the cash and cash equivalents continued to accumulate as our business grew, while we managed to maintain the accounts payable at a stable level.

### QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk.

#### Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. The functional currency of the Company is US Dollars whereas the functional currency of the subsidiaries of Beijing Meelive operating in the PRC are Renminbi. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and we try to minimize these exposures through natural hedges, wherever possible.

We operate mainly in China with most of the transactions settled in Renminbi. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities.

#### Cash Flow and Fair Value Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for other investments, cash and cash equivalents and receivable from related parties, details of which have been disclosed in Notes 17 and 21, respectively, of the Accountant's Report.

We had no borrowings as at December 31, 2015. We had non-current borrowings of RMB14.1 million as at December 31, 2016, and current borrowings of RMB14.1 million as at December 31, 2017.

#### Credit Risk

We have no significant concentrations of credit risk. The carrying amounts of bank balance, accounts receivables, other receivables, and amounts due from related parties included in the combined statements of financial position represent our maximum exposure to credit risk in relation to our financial assets.

The credit risk of bank balance is limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in China.

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We generated revenue through operating our live streaming platform as well as our online advertising business. We have a highly diversified customer base, without any single customer contributing material revenue.

For other receivables and amounts due from related parties, our management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

### Liquidity Risk

We aim to maintain sufficient cash and cash equivalents and marketable securities. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes our financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	(in RMB thousands)				
<b>At December 31, 2015</b>					
Accounts payables . . . . .	9,980	—	—	—	9,980
Other payables and accruals (excluding salaries and welfare payables and other tax payable) . . .	1,821	—	—	—	1,821
Financial instruments with preferred rights . . . . .	—	—	—	171,245	171,245
	<u>11,801</u>	<u>—</u>	<u>—</u>	<u>171,245</u>	<u>183,046</u>
<b>At December 31, 2016</b>					
Borrowing . . . . .	—	14,090	—	—	14,090
Accounts payables . . . . .	622,798	—	—	—	622,798
Other payables and accruals (excluding salaries and welfare payables and other tax payable) . . .	1,056	—	—	—	1,056
Financial instruments with preferred rights . . . . .	—	—	—	2,341,868	2,341,868
	<u>623,854</u>	<u>14,090</u>	<u>—</u>	<u>2,341,868</u>	<u>2,979,812</u>
<b>At December 31, 2017</b>					
Borrowing . . . . .	14,090	—	—	—	14,090
Accounts payables . . . . .	625,897	—	—	—	625,897
Other payables and accruals (excluding salaries and welfare payables and other tax payable) . . .	9,518	—	—	—	9,518
Financial instruments with preferred rights . . . . .	—	—	—	3,373,353	3,373,353
	<u>649,505</u>	<u>—</u>	<u>—</u>	<u>3,373,353</u>	<u>4,022,858</u>

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## FINANCIAL INFORMATION

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### DIVIDEND AND DISTRIBUTABLE RESERVES

#### Dividend

We did not declare or distribute any dividend to our Shareholders during the Track Record Period. We do not have any dividend policy and have no present plan to pay any dividends to our Shareholders in the foreseeable future. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. As advised by our legal advisor on Cayman Islands law, Maples and Calder (Hong Kong) LLP, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability. In addition, under applicable laws in the Cayman Islands, dividends may be paid only out of profits and share premium, and a dividend can be paid provided that there is a profit on the current financial year under review, without the requirement for making good losses from a prior financial year. The Board will review dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements; and
- other factors the Board may deem relevant.

#### Distributable Reserves

As of December 31, 2017, we did not have any distributable reserves.

### LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees in the Global Offering are paid in full) incurred or to be incurred in relation to the Global Offering are approximately

## FINANCIAL INFORMATION

RMB98.9 million, of which RMB44.3 million will be charged as other expenses to our consolidated statement of profit or loss and RMB54.6 million will be charged against equity, in accordance with Hong Kong Accounting Standard 32, Financial Instruments: Presentation (“HKAS 32”). Pursuant to such accounting standard, expenses that are incremental and directly attributable to the offering of new Shares are accounted for as a deduction from equity upon Listing and issuance of new Shares. The expenses which do not relate to the offering of new Shares are charged to the consolidated statement of profit or loss as incurred. Expenses that relate jointly to the offering of new Shares and the listing of existing Shares are allocated between these activities based on the proportion of number of new Shares issued relative to the total number of Shares in issue and listed on the Stock Exchange.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the combined net tangible assets attributable to the equity holders of the Company as at December 31, 2017 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Global Offering been completed as at December 31, 2017 or at any future dates.

	Unadjusted audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Estimated impact to the combined net tangible assets of the Group upon the conversion of the Preferred Shares <sup>(3)</sup>	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share <sup>(4)</sup>	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$3.47 per Offer Share, after a Downward Offer Price Adjustment of 10% . . .	(1,652,092)	767,768	3,373,353	2,489,029	1.23	1.51
Based on an Offer Price of HK\$3.85 per Offer Share . . . . .	(1,652,092)	859,051	3,373,353	2,580,312	1.28	1.56
Based on an Offer Price of HK\$5.00 per Offer Share . . . . .	(1,652,092)	1,135,347	3,373,353	2,856,608	1.42	1.73

*Note:*

- (1) The unadjusted audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 is extracted from the Accountant’s Report set out in Appendix I, which is based on the audited combined net

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## FINANCIAL INFORMATION

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liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 of approximately RMB 1,589,530,000 with an adjustment for the intangible assets as at December 31, 2017 of approximately RMB 62,562,000.

- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$3.85 and HK\$5.00 per Share, respectively, and also based on an Offer Price of HK\$3.47 per Offer Share after making a Download Offer Price Adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by the Company, and does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of the options which may be granted under the Share Option Scheme, any Share which may be issued under the RSU Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.
- (3) Upon Listing and pursuant to the Termination Agreement dated February 13, 2018, all the preferred rights attached to the preferred shares held by the Employee Shareholding Platforms and the Investors will be unconditionally terminated. Upon the termination of these preferred rights, these preferred shares held by the Employee Shareholding Platforms and the Investors will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company will be increased by RMB3,373,353,000, being the carrying amounts of the financial instruments with preferred rights as of December 31, 2017.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,015,564,000 Shares were in issue assuming that the Global Offering and Capitalization Issue have been completed on December 31, 2017 but does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or upon exercise of the options which may be granted under the Share Option Scheme, any Shares which may be issued under the RSU Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2206. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2017.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2017, being the end date of the periods reported in the Accountant's Report included in Appendix I to this prospectus, and up to the Latest Practicable Date, and there is no event since December 31, 2017 that would materially affect the information as set out in the Accountant's Report.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreement with a number of investors (the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with an aggregate amount of the Hong Kong dollars equivalent of US\$40 million (calculated at the exchange rate of HK\$7.8492 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board on June 15, 2018) (the “**Noon Buying Rate**”) (rounded down to the nearest whole board lot of 1,000 Shares).

Assuming an Offer Price of HK\$3.47 (being the low-end of the Offer Price range after a Downward Offer Price Adjustment of 10% stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 90,480,000 Shares, representing approximately (i) 29.93% of the total Offer Shares (assuming that the Over-allotment Option is not exercised) and (ii) 4.49% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$3.85 (being the low-end of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 81,549,000 Shares, representing approximately (i) 26.97% of the total Offer Shares (assuming that the Over-allotment Option is not exercised) and (ii) 4.05% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$4.43 (being the mid-point of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 70,872,000 Shares, representing approximately (i) 23.44% of the total Offer Shares (assuming that the Over-allotment Option is not exercised) and (ii) 3.52% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$5.00 (being the high-end of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 62,793,000 Shares, representing approximately (i) 20.77% of the total Offer Shares (assuming that the Over-allotment Option is not exercised) and (ii) 3.12% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Each of the Cornerstone Investors is independent from our Company. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company.

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the

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## CORNERSTONE INVESTORS

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section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around July 11, 2018.

### OUR CORNERSTONE INVESTORS

Our Cornerstone Investors are set out below:

#### **Nova Compass Investment Limited**

Nova Compass Investment Limited was incorporated under the laws of the British Virgin Islands with limited liability in September 2016 and is principally engaged in business investment. It is an entity controlled by Focus Media Information Technology Co., Ltd. (分眾傳媒資訊技術股份有限公司), which shares are listed on the Shenzhen Stock Exchange (stock code: 002027). Focus Media Information Technology Co., Ltd. is primarily engaged in LCD display, poster frame, movie theatre and in-store media network advertising in the PRC.

Nova Compass Investment Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with the Hong Kong dollars equivalent of US\$30 million (calculated at the Noon Buying Rate) at the Offer Price. Assuming an Offer Price of HK\$3.47 (being the low-end of the Offer Price range after a Downward Offer Price Adjustment of 10% stated in this prospectus), Nova Compass Investment Limited will subscribe for approximately 67,860,000 Offer Shares, representing approximately 3.37% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Assuming an Offer Price of HK\$3.85 (being the low-end of the Offer Price range stated in this prospectus), Nova Compass Investment Limited will subscribe for approximately 61,162,000 Offer Shares, representing approximately 3.03% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Assuming an Offer Price of HK\$4.43 (being the mid-point of the Offer Price range stated in this prospectus), Nova Compass Investment Limited will subscribe for approximately 53,154,000 Offer Shares, representing approximately 2.64% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Assuming an Offer Price of HK\$5.00 (being the high-end of the Offer Price range stated in this prospectus), Nova Compass Investment Limited will subscribe for approximately 47,095,000 Offer Shares, representing approximately 2.34% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).



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## CORNERSTONE INVESTORS

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### **Bilibili Inc.**

Bilibili Inc. was incorporated under the laws of the Cayman Islands with limited liability in December 2013 and is listed on the NASDAQ (NASDAQ: BILI). Bilibili Inc. provides online entertainment services for the young generations in the PRC and offers a platform that covers mobile games, advertising, live broadcasting and value-added services. Its ultimate controlling shareholder is Mr. Chen Rui, who also serves as the Chairman and Chief Executive Officer of Bilibili Inc.

Bilibili Inc. has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with the Hong Kong dollars equivalent of US\$10 million (calculated at the Noon Buying Rate) at the Offer Price. Assuming an Offer Price of HK\$3.47 (being the low-end of the Offer Price range after a Downward Offer Price Adjustment of 10% stated in this prospectus), Bilibili Inc. will subscribe for approximately 22,620,000 Offer Shares, representing approximately 1.12% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Assuming an Offer Price of HK\$3.85 (being the low-end of the Offer Price range stated in this prospectus), Bilibili Inc. will subscribe for approximately 20,387,000 Offer Shares, representing approximately 1.01% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Assuming an Offer Price of HK\$4.43 (being the mid-point of the Offer Price range stated in this prospectus), Bilibili Inc. will subscribe for approximately 17,718,000 Offer Shares, representing approximately 0.88% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Assuming an Offer Price of HK\$5.00 (being the high-end of the Offer Price range stated in this prospectus), Bilibili Inc. will subscribe for approximately 15,698,000 Offer Shares, representing approximately 0.78% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

### **CONDITIONS PRECEDENT AND TERMINATION**

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto;
- (b) none of the Underwriting Agreements having been terminated; and
- (c) the Listing Committee granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Main Board of the Stock Exchange.

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## CORNERSTONE INVESTORS

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### RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreements) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement or any interest in any company or entity holding any of such Shares, or agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of such Shares, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the restrictions on disposals imposed on such Cornerstone Investor under the relevant cornerstone investment agreement.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$4.43 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,217.2 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes.

- Approximately HK\$243.4 million (approximately 20% of our total estimated net proceeds) is intended to be used over the next two years to further diversify our product and content offerings. As of the Latest Practicable Date, we had a number of new products and features in pipeline, including a new social game product featuring card games. To date, we have substantially completed the initial development of such social game product, have obtained all the necessary licenses and permits for the operation of the underlying games, and currently plan to officially launch the product in the third quarter of 2018. We had already invested approximately HK\$9.7 million as of the Latest Practicable Date, and expect to incur an additional approximately RMB60 million in expenses (approximately HK\$73.9 million) for the continuous further development, optimization, update and operation of such social game product, and do not plan to capitalize such expenses. As of the Latest Practicable Date, we were also in the process of developing a location-based online dating social platform, and developing several online social mini games and micro programs, which we plan to officially launch over the next two years. We expect to incur an additional approximately RMB30 million (approximately HK\$36.7 million) in expenses for the development of the location-based online dating social platform, and do not plan to capitalize such expenses;
- Approximately HK\$365.2 million (approximately 30% of our total estimated net proceeds) is intended to be used over the next two years to implement our marketing initiatives to expand our user base and promote our brand. Specifically, we plan to:
  - apply approximately HK\$91.6 million in our general marketing and promotional efforts, including placing online and offline advertisements, sponsoring popular TV shows, and holding our annual events, in order to enhance our brand image and recognition;
  - apply approximately HK\$91.6 million in our targeted marketing efforts, including user traffic acquisition from major online channels; and
  - apply approximately HK\$182.0 million in promoting our new products or businesses.

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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately HK\$243.4 million (approximately 20% of our total estimated net proceeds) is intended to be used over the next two years to further develop our technology, research and development capabilities. Specifically, we plan to:
  - apply approximately HK\$48.7 million of the net proceeds to further develop our Customized Recommendation function. As of the Latest Practicable Date, we had already invested approximately HK\$22 million in such initiative. We plan to apply deep learning algorithms in our Customized Recommendation algorithms by the end of 2018, to build image recognition deep learning system by the second quarter of 2019, and to build video recognition deep learning system by the second quarter of 2020;
  - apply approximately HK\$48.7 million of the net proceeds to further develop our big data analytics capabilities, in which area we had a number of development projects in the pipeline as of the Latest Practicable Date, including a location-based video feed product that recommends video content to users based on their different interests and locations. As of the Latest Practicable Date, we had already invested approximately HK\$56 million in such initiative. We plan to further enhance our data mining and analytics capabilities, and to utilize data analytics in more aspects of our business operations;
  - apply approximately HK\$121.7 million of the net proceeds to further develop our video and audio transmission and processing technology. As of the Latest Practicable Date, we had already invested approximately HK\$139 million in such initiative. We plan to further improve our minimum lagging multi-party connection technologies, and to launch the online KTV function that enables real-time duet by the end of 2018, to launch the streamer action and facial expression capture function by the second quarter of 2019, and to launch virtual reality live streaming function by the end of 2020; and
  - apply approximately HK\$24.3 million of the net proceeds to enhance our advertising system. As of the Latest Practicable Date, we had already invested approximately HK\$43 million in such initiative. We plan to improve the advertising task distribution and monitoring system by the end of 2018, and to launch video-based advertising system by the first quarter of 2019.

We plan to conduct the vast majority of our research and development activities with our in-house research and development team after the Listing, and to outsource research and development activities only if our senior management believes that outsourcing is necessary and justified by the cost-benefit analysis, and if we can ensure the protection of our intellectual property rights; and

- Approximately HK\$243.4 million (approximately 20% of our total estimated net proceeds) is intended to be used to seek strategic investment and acquisition opportunities. We plan to explore opportunities to invest in, or to acquire, companies in the pan-entertainment industry with high growth potential and convincing synergies with our existing platform. For example, companies in the upstream of the industry value chain that have advanced technology capabilities, or companies in the downstream of the industry value chain that have large customer base and strong monetization

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## FUTURE PLANS AND USE OF PROCEEDS

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capabilities. We plan to mainly focus on potential targets in China, but do not completely rule out companies in other countries, if the targets are very promising, the internet industry in such other countries are rapidly growing, and the valuations are reasonable. We plan to primarily focus on small- or medium-sized startup companies that have high growth potentials and have achieved initial success in the relevant vertical sectors. As of the Latest Practicable Date, we had not identified any potential acquisition targets, and had not set any definitive acquisition timeframe;

- Approximately HK\$121.7 million (approximately 10% of our total estimated net proceeds) is intended to be used for general replenishment of our working capital.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the proposed Offer Price range.

If the Offer Price is fixed at HK\$5.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$168.6 million, assuming the Over-allotment Option is not exercised.

If the Offer Price is fixed at HK\$3.85 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$168.6 million, assuming the Over-allotment Option is not exercised.

To the extent our net proceeds are either more or less than expected, we intend to apply the net proceeds to the above uses in the proportion stated above. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK\$3.47 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK\$112.9 million. To the extent our net proceeds are further reduced, we intend to apply the net proceeds to the above uses in the proportion stated above.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK\$169.3 million (assuming an Offer Price of HK\$3.85 per Share, being the low end of the proposed Offer Price range) to HK\$219.9 million (assuming an Offer Price of HK\$5.00 per Share, being the high end of the proposed Offer Price range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

### USE OF EXISTING CASH AND COMMERCIAL RATIONALE FOR LISTING

We intend to use our existing cash and bank balances to, among other things, (i) fund for our day-to-day operations, such as payables to the streamers and other suppliers; (ii) fund for our additional research and

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## FUTURE PLANS AND USE OF PROCEEDS

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development initiatives that are not currently anticipated but may arise in the future; (iii) fund for our additional investment and acquisition needs that are not currently anticipated but may arise in the future. In general, we believe that the industry we operate in is highly competitive and dynamic, and would like to accumulate as much as resources to prepare for the intensified competition (especially in view of the cash burning marketing strategies adopted by some of our competitors since 2017), to ensure our ability to quickly adapt for the constantly shifting customer preferences, to prepare for possible regulatory changes, and to seize the market opportunities as they become available.

In addition to funding needs, we also have the following commercial rationale for Listing: (i) Listing on the Main Board of the Stock Exchange can further enhance our reputation and creditworthiness, thereby help us attract additional streamers, viewers as well as advertising customers, and increase our bargaining power when dealing with other customers or suppliers; (ii) we welcome the heightened scrutiny exercised by the regulators during and after the Listing process, and would like to further improve, and to demonstrate to the public that we have improved, our corporate governance, legal compliance, internal control, as well as operational and financial reporting capabilities; (iii) after Listing, we can better utilize share-based incentives to attract and retain talented staff at lower costs; (iv) after Listing, we can use our shares as consideration in our strategic investments or acquisitions, if any; and (v) Listing on the Main Board of the Stock Exchange can help us in establishing our international presence and getting access to foreign currencies and sources of funding, thereby paving the way for potential outbound investments or acquisitions, if any.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

Deutsche Bank AG, Hong Kong Branch

Citigroup Global Markets Asia Limited

Haitong International Securities Company Limited

BOCI Asia Limited

The Hongkong and Shanghai Banking Corporation Limited

Futu Securities International (Hong Kong) Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offering**

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement entered into on June 27, 2018, we are offering 30,234,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme) and such approval not having been withdrawn, and to (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly to subscribe, or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.



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## UNDERWRITING

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### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

there shall develop, occur, exist or come into effect:

- (i) any new law or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore, the British Virgin Islands or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
- (ii) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development, involving a prospective change in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, market or currency matters or conditions or exchange control or any monetary or trading settlement system (including but not limited to conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the HK dollar is linked to the U.S. dollar or the Renminbi is linked to any foreign currencies) in any of the Relevant Jurisdictions; or
- (iii) the imposition of any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the American Stock Exchange or in the NASDAQ Global Market; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent government authority), New York (imposed at Federal or New York State level or other competent government authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan, the British Virgin Islands or any other jurisdiction relevant to the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (v) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the HK dollar or the Renminbi against any foreign currencies) in any of the Relevant Jurisdictions adversely affecting an investment in the Offer Shares; or
- (vi) any event or series of events or circumstance in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, calamity, crisis, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), pandemic, outbreak of infectious disease, economic sanctions, earthquake, terrorism; or
- (vii) any adverse change or development or event involving a prospective adverse change or development in the assets, liabilities, shareholders' equity, profits, losses, results of operations, performance, condition, trading position (financial or otherwise) of any member of the Group; or
- (viii) any Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government, political, regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (ix) the chairman or chief executive officer of the Company or any of the Director vacating his or her office; or
- (x) an governmental authority or a political or regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director; or
- (xi) any litigation or claim or proceedings being threatened or instigated against any member of the Group; or
- (xii) any contravention by any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or other applicable laws; or
- (xiii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling the Offer Shares (including the Offer Shares allotted or sold under the Over-allotment Option) pursuant to the terms of the Global Offering; or

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## UNDERWRITING

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- (xiv) any change or prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
  
- (xv) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

and which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters),

- (A) has or will have or is likely to have a material adverse effect to the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profit, losses, results of operations, financial or trading position, or performance of the Company or the Group as a whole; or
  
- (B) has or will have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering or the International Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares; or
  
- (C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares to be performed or implemented or proceed as envisaged or to market contemplated by this prospectus; or
  
- (D) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting, the Hong Kong Public Offering and/or the Global Offering) incapable of performance in accordance with its terms or which prevents or delays the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

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## UNDERWRITING

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there has come to the notice of the Joint Global Coordinators:

- (i) that any statement contained in any of this prospectus, the Application Forms, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto), is not fair and honest and based on reasonable assumptions; or
- (ii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law and regulation; or
- (iii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iv) any breach on the part of any of the material obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters or their respective affiliates); or
- (v) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement); or
- (vi) any breach, or any event or circumstance rendering any of the Warranties (as defined in the Hong Kong Underwriting Agreement) untrue or incorrect or misleading in any respect; or

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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## UNDERWRITING

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### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except:

- (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or
- (b) pursuant to the Global Offering (including the Over-allotment Option).

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## UNDERWRITING

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Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the offer and issue of the Offer Shares pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option), any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure that each other member of our Group will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

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## UNDERWRITING

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- (iv) offer to or agree or announce, or publicly disclose, any intention to effect any transaction described in (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or shares or any other securities of other members of our Group, as applicable, or in cash or otherwise (whether or not such allotment or issue of the Shares or securities will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months commencing on the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in our Shares or any other securities of our Company.

### *Undertaking by the Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each Controlling Shareholder has undertaken to each of the Stock Exchange and our Company that, except pursuant to the Global Offering (including the Over-allotment Option) or the Stock Borrowing Agreement, he or it shall not and shall procure that the relevant registered holder(s) (if any) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of his or its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this Prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Relevant Securities**”); and
- (ii) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

In addition, in accordance with Note 3 to Rule 10.07 of the Listing Rules, each Controlling Shareholder has undertaken to the Stock Exchange and our Company that, during the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (a) when he or it pledges or charges any Shares beneficially owned by he or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona



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## UNDERWRITING

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fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Each Controlling Shareholder has undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Global Offering, and the Stock Borrowing Agreement without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, he or it will not, and procure that none of its affiliates will not, at any time during the period commencing on the date of this Agreement and ending on the date that is twelve months after the Listing Date (the “**Lock-up Period**”):

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any Shares or other securities of the Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company (whether or not the issue of such Shares or other securities of the Company will be completed within the Lock-Up Period).

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## UNDERWRITING

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Without limiting the above, each Controlling Shareholder has further undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, he or it will, at any time during the Lock-up Period:

- (i) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of the Company beneficially owned by him/it for a bona fide commercial loan, immediately inform the Company, the Joint Global Coordinators and the Joint Sponsors in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (ii) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators and the Joint Sponsors in writing of such indications.

### ***Undertaking by the Other Shareholders***

Each of Jubilant Live LIMITED, FeiYang Hong Kong Limited, Kunlun Group Limited, Vivid Sparks Global Limited, Global Dream Holdings Limited, HANHE INVEST (HK) LIMITED, GX YK Holding Limited, GSR ZHINKE Limited, Express Profits Limited, Light Alliance Holdings Limited, Integrity Global Holdings Limited, Image Frame Investment (HK) Limited and Shunya Global Holdings Limited has undertaken to each of the Company, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that during the First Six-Month Period, it will not, and will procure that no company controlled by it, or nominee or trustee holding in trust for it, will, without the prior written consent of the Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts, or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, debt capital or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or

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## UNDERWRITING

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- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Lock-up Period).

### ***Indemnity***

We have agreed to indemnify the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### ***Commission and Expenses and Joint Sponsors' Fee***

The Hong Kong Underwriters will receive an underwriting commission of 2% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International underwriters and not the Hong Kong Underwriters. In addition, at the discretion of our Company, the Hong Kong Underwriters may also receive an incentive fee up to 1% of the aggregate Offer Price.

Assuming the Over-allotment Option is not exercised, without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme and based on an Offer Price of HK\$4.43 (being the mid-point of our Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.005% per Share, SFC transaction levy of 0.0027% per Share, brokerage fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$120.7 million, which is subject to adjustment to be agreed by the Company, the Joint Global Coordinators and other parties.

An aggregate amount of US\$900,000 is payable by the Company as sponsor fees to the Joint Sponsors.

### ***Hong Kong Underwriters' Interests in Our Company***

Save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

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## UNDERWRITING

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Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### *The International Offering*

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offering Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offering Shares. Please refer to the section headed “Structure of the Global Offering — The International Offering” for details.

### *Over-allotment Option and Stabilization*

For more details of the arrangements relating to the Over-allotment Option and stabilization, please see the section headed “Structure of the Global Offering” in this prospectus.

### *Restrictions on the Offer Shares*

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in China or the United States.

## ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members,” may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- a. under the agreement among the Syndicate Members, all of them (except for the Stabilization Manager or its designated affiliate as the Stabilization Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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## UNDERWRITING

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- b. all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

### **INDEPENDENCE OF THE JOINT SPONSORS**

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 30,234,000 Offer Shares (subject to adjustment) in Hong Kong as described below in the section headed “— The Hong Kong Public Offering”; and
- (b) the International Offering of initially 272,106,000 Offer Shares (subject to adjustment and the Over-allotment Option) outside the United States in reliance on Regulation S or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares Initially Offered

We are initially offering 30,234,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “— Conditions of the Hong Kong Public Offering.”

#### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary,

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## STRUCTURE OF THE GLOBAL OFFERING

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depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes:

Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 15,117,000 Hong Kong Offer Shares (being 50% of the 30,234,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

### **Reallocation**

Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange require a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if the Offer Shares under the International Offering are fully subscribed or oversubscribed and certain prescribed total demand levels in the Hong Kong Public Offering are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 30,234,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering.



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## STRUCTURE OF THE GLOBAL OFFERING

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- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 90,702,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 120,936,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 151,170,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate.

In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Joint Global Coordinators may, at their discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 60,468,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available

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## STRUCTURE OF THE GLOBAL OFFERING

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under the Global Offering in accordance with Guidance Letter HKEx-GL91-18 issued by the Hong Kong Stock Exchange, and the Final Offer Price shall be fixed at the bottom end of the Indicative Offer Price range (i.e., HK\$3.85 per Offer Share) stated in this prospectus, subject to a Downward Offer Price Adjustment of 10%.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$5.00 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “— Pricing and Allocation” below, is less than the maximum price of HK\$5.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares.”

## **THE INTERNATIONAL OFFERING**

### **Number of Offer Shares Offered**

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 272,106,000, representing 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 13.50% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme.

### **Allocation**

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Purchasers or through selling agents appointed by them. International Offer

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## STRUCTURE OF THE GLOBAL OFFERING

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Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators (for themselves and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in the section headed “— Over-allotment Option”, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 45,351,000 additional Offer Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

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## STRUCTURE OF THE GLOBAL OFFERING

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If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 2.25% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option (and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme). In the event that the Over-allotment Option is exercised, a public announcement will be made.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

China International Capital Corporation Hong Kong Securities Limited has been appointed by us as the Stabilization Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilization Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilization Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilization Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilization Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 45,351,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

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## STRUCTURE OF THE GLOBAL OFFERING

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In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;
- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on August 3, 2018. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilization Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

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## STRUCTURE OF THE GLOBAL OFFERING

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### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilization Manager (or its affiliate(s)) may choose to borrow up to 45,351,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Fantastic Live Holdings Limited pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

### PRICING AND ALLOCATION

#### Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, July 4, 2018 and in any event on or before Monday, July 9, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the offer price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK\$5.00 per Offer Share and is expected to be not less than HK\$3.85 per Offer Share, unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

#### Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK\$5.00 per each Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy and

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## STRUCTURE OF THE GLOBAL OFFERING

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0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$5.00, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, July 9, 2018, the Global Offering will not proceed and will lapse.

### **Reduction in Number of Offer Shares**

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the offer price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

### **Announcement of Offer Price and Basis of Allocations**

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Wednesday, July 11, 2018, in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.inke.cn](http://www.inke.cn).

### **ANNOUNCEMENT OF OFFER PRICE REDUCTION**

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom



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## STRUCTURE OF THE GLOBAL OFFERING

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end of the indicative Offer Price range, at any time on or prior to the Price Determination Date. In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.inke.cn](http://www.inke.cn)) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Wednesday, July 11, 2018. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other thing, our Company and the Joint Global Coordinators, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting."

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

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## STRUCTURE OF THE GLOBAL OFFERING

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- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

**If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Monday, July 9, 2018, the Global Offering will not proceed and will lapse immediately.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the websites of Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.inke.cn](http://www.inke.cn) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker(s) or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme).

No part of the Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

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## STRUCTURE OF THE GLOBAL OFFERING

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### SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, July 12, 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, July 12, 2018. Our Shares will be traded in board lots of 1,000 Shares. The stock code of our Shares will be 3700.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Thursday, June 28, 2018 until 12:00 noon on Wednesday, July 4, 2018 from:

- (i) any of the following offices of the Hong Kong Underwriters:

**China International Capital Corporation Hong Kong Securities Limited**

29/F, One International Finance Centre, 1 Harbor View Street, Central, Hong Kong

**Haitong International Securities Company Limited**

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

**BOCI Asia Limited**

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

**The Hongkong and Shanghai Banking Corporation Limited**

Level 15, HSBC Main Building, 1 Queen's Road Central, Hong Kong

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

11/F, Bangkok Bank Building, 18 Bonham Strand West, Sheung Wan, Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(ii) or any of the following designated branches of the receiving bank:

### Bank of China (Hong Kong) Limited

	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Connaught Road Central Branch	13-14 Connaught Road Central
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building 244-248 Des Voeux Road Central
<b>Kowloon</b>	Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road To Kwa Wan
<b>New Territories</b>	Tai Po Plaza Branch	Unit 4, Level 1, Tai Po Plaza 1 On Tai Road, Tai Po
	Fo Tan Branch	No 2, 1/F Shatin Galleria 18-24 Shan Mei Street, Fo Tan
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, June 28, 2018 until 12:00 noon on Wednesday, July 4, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — INKE PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, June 28, 2018 — 9:00 a.m. to 5:00 p.m.

Friday, June 29, 2018 — 9:00 a.m. to 5:00 p.m.

Saturday, June 30, 2018 — 9:00 a.m. to 1:00 p.m.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Tuesday, July 3, 2018 — 9:00 a.m. to 5:00 p.m.

Wednesday, July 4, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, July 4, 2018, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” below.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States and are not a U.S. person (as defined in Regulation S);
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in “— 2. Who Can Apply” section above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

### **Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, June 28, 2018 until 11:30 a.m. on Wednesday, July 4, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, July 4, 2018 or such later time under the “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Environmental Protection**

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.0 for each “Inke Limited” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

#### **Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, June 28, 2018 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>

Friday, June 29, 2018 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>

Saturday, June 30, 2018 — 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>

Tuesday, July 3, 2018 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>

Wednesday, July 4, 2018 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon

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*Note:*

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, June 28, 2018 until 12:00 noon on Wednesday, July 4, 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, July 4, 2018, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” below.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank(s), the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, July 4, 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO**

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please see the section headed “Structure of the Global Offering — Pricing and Allocation.” in this prospectus for further details regarding the Offer Price.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

a tropical cyclone warning signal number 8 or above; or

a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 4, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, July 4, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, July 11, 2018 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on our Company’s website at [www.inke.cn](http://www.inke.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

in the announcement to be posted on our Company’s website at [www.inke.com](http://www.inke.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Wednesday, July 11, 2018;

from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, July 11, 2018 to 12:00 midnight on Tuesday, July 17, 2018;

by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. to 10:00 p.m. from Wednesday, July 11, 2018 to Saturday, July 14, 2018;

in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, July 11, 2018 to Friday, July 13, 2018 at all the receiving bank designated branches.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

within three weeks from the closing date of the application lists; or

within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

you make multiple applications or suspected multiple applications;

you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

your Application Form is not completed in accordance with the stated instructions;

your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);

your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;

the Underwriting Agreements do not become unconditional or are terminated;

our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### **13. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$5.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Any refund of your application monies will be made on or before Wednesday, July 11, 2018.

### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, July 11, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, July 12, 2018 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, July 11, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, July 11, 2018, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, July 11, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, July 11, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

*If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

*If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Wednesday, July 11, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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*(iii) If you apply through the White Form eIPO service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, July 11, 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, July 11, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(iv) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, July 11, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, July 11, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, July 11, 2018 or such other date as determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, July 11, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, July 11, 2018.

### **15. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF INKE LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND DEUTSCHE SECURITIES ASIA LIMITED**

**Introduction**

We report on the historical financial information of Inke Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-77, which comprises the combined balance sheets as at December 31, 2015, 2016 and 2017, the Company's balance sheet as at December 31, 2017 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the period from March 31, 2015 (date of incorporation of Beijing Meelive Network Technology Co., Ltd., a subsidiary of the Company) to December 31, 2015 and each of the years ended December 31, 2016 and 2017 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 28, 2018 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2017 and the combined financial position of the Group as at December 31, 2015, 2016 and 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by Inke Limited in respect of the Track Record Period.

**No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, June 28, 2018

## I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The financial statements of the Group for the period from March 31, 2015 (date of incorporation of Beijing Meelive Network Technology Co., Ltd.) to December 31, 2015 and years ended December 31, 2016 and 2017 ("Track Record Period") ("Underlying Financial Statements"), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Historical Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Period from	Year ended December 31,	
		March 31, 2015 to December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Revenue . . . . .	6	28,702	4,334,859	3,941,596
Cost of sales . . . . .	7	(14,859)	(2,697,865)	(2,545,854)
<b>Gross profit</b> . . . . .		13,843	1,636,994	1,395,742
Selling and marketing expenses . . . . .	7	(10,009)	(721,778)	(344,154)
Administrative expenses . . . . .	7	(1,793)	(227,314)	(95,963)
Research and development expenses . . . . .	7	(133)	(198,524)	(193,242)
Other (losses)/gains-net . . . . .	9	(5)	4,523	37,585
Other income . . . . .	10	—	—	71,214
<b>Operating profit</b> . . . . .		1,903	493,901	871,182
Finance income . . . . .	11	12	3,934	11,446
Finance costs . . . . .	11	—	(633)	(847)
Finance income-net . . . . .	11	12	3,301	10,599
Share of loss of investments accounted for using the equity method . . . . .	17	—	(2,941)	(1,510)
Fair value loss of financial instruments with preferred rights . . . . .	24	(50,876)	(1,856,809)	(1,031,485)
<b>Loss before income tax</b> . . . . .		(48,961)	(1,362,548)	(151,214)
Income tax expense . . . . .	12	(455)	(104,578)	(88,295)
<b>Loss for the period/year</b> . . . . .		(49,416)	(1,467,126)	(239,509)

	Note	Period from		
		March 31, 2015		
		to December 31,	Year ended December 31,	
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
<b>Loss attributable to:</b>				
— The owners of the Company . . . . .		(49,416)	(1,467,126)	(239,412)
— Non-controlling interests . . . . .		—	—	(97)
		<u>(49,416)</u>	<u>(1,467,126)</u>	<u>(239,509)</u>
<b>Loss for the period/year . . . . .</b>		<u>(49,416)</u>	<u>(1,467,126)</u>	<u>(239,509)</u>
<b>Other comprehensive loss, net of tax:</b>				
<i>Items that may be reclassified to profit or loss</i>				
Currency translation differences . . . . .		—	364	(686)
<b>Total comprehensive loss for the period/year . . . . .</b>		<u>(49,416)</u>	<u>(1,466,762)</u>	<u>(240,195)</u>
<b>Total comprehensive loss attributable to:</b>				
— The owners of the Company . . . . .		(49,416)	(1,466,762)	(240,098)
— Non-controlling interests . . . . .		—	—	(97)
		<u>(49,416)</u>	<u>(1,466,762)</u>	<u>(240,195)</u>



## COMBINED BALANCE SHEETS

	Note	As of December 31,		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	15	139	14,901	33,865
Intangible assets . . . . .	16	226	3,113	62,562
Investments accounted for using the equity method . . . . .	17	—	3,259	175,071
Financial assets at fair value through profit and loss . . . . .	18	—	31,702	40,430
Deferred income tax assets . . . . .	20	4,713	8,775	1,320
Other receivables, prepayments, deposits and other assets . . . . .	22	—	128,435	5,435
<b>Total non-current assets</b> . . . . .		<u>5,078</u>	<u>190,185</u>	<u>318,683</u>
<b>Current assets</b>				
Inventories . . . . .		—	—	107
Accounts receivables . . . . .	21	3,102	40,078	42,861
Other receivables, prepayments, deposits and other assets . . . . .	22	60,791	227,125	100,842
Financial assets at fair value through profit and loss . . . . .	18	45,000	—	—
Cash and cash equivalents . . . . .	23	17,634	1,410,880	2,182,777
Restricted cash . . . . .	23	—	—	8,800
<b>Total current assets</b> . . . . .		<u>126,527</u>	<u>1,678,083</u>	<u>2,335,387</u>
<b>Total assets</b> . . . . .		<u>131,605</u>	<u>1,868,268</u>	<u>2,654,070</u>

	Note	As of December 31,		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
<b>EQUITY</b>				
<b>Equity attributable to the shareholders of the Company</b>				
Share capital . . . . .	30	—	—	—
Other reserves . . . . .	31	(12,075)	167,110	166,424
Accumulated deficits . . . . .		(49,416)	(1,516,542)	(1,755,954)
		(61,491)	(1,349,432)	(1,589,530)
<b>Non-controlling interests . . . . .</b>		—	—	366
<b>Total deficit . . . . .</b>		<u>(61,491)</u>	<u>(1,349,432)</u>	<u>(1,589,164)</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial instruments with preferred rights . . . . .	24	171,245	2,341,868	3,373,353
Deferred tax liabilities . . . . .	20	—	—	1,750
Borrowings . . . . .	25	—	14,090	—
<b>Total non-current liabilities . . . . .</b>		<u>171,245</u>	<u>2,355,958</u>	<u>3,375,103</u>
<b>Current liabilities</b>				
Accounts payables . . . . .	26	9,980	622,798	625,897
Other payables and accruals . . . . .	27	5,774	82,509	113,034
Current income tax liabilities . . . . .		5,168	88,992	2,713
Deferred revenue . . . . .	28	929	67,443	103,597
Provisions . . . . .	29	—	—	8,800
Borrowings . . . . .	25	—	—	14,090
<b>Total current liabilities . . . . .</b>		<u>21,851</u>	<u>861,742</u>	<u>868,131</u>
<b>Total liabilities . . . . .</b>		<u>193,096</u>	<u>3,217,700</u>	<u>4,243,234</u>
<b>Total equity and liabilities . . . . .</b>		<u>131,605</u>	<u>1,868,268</u>	<u>2,654,070</u>

## COMPANY BALANCE SHEET

	<u>Note</u>	<u>As of December 31, 2017</u> RMB'000
<b>ASSETS</b>		
<b>Current assets</b>		
Other receivables, prepayments, deposits and other assets . . . . .		—
<b>Total assets</b> . . . . .		<u>—</u>
<b>EQUITY</b>		
<b>Equity attributable to the shareholders of the Company</b>		
Share capital . . . . .	30	—
<b>Total equity</b> . . . . .		<u>—</u>

All balances stated above were less than RMB1,000.

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to the owner of the Company				Non-controlling interests	Total
		Share capital	Other reserves	Accumulated deficits	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at March 31, 2015</b>							
<b>Comprehensive loss</b>							
Loss and total comprehensive loss for the period . . . . .		—	—	(49,416)	(49,416)	—	(49,416)
<b>Transactions with owners in their capacity as owners</b>							
Capital injection . . . . .	31	—	583	—	583	—	583
Transaction with an owner . . . . .	31	—	(12,658)	—	(12,658)	—	(12,658)
<b>Total transactions with owners in their capacity as owners . .</b>		—	(12,075)	—	(12,075)	—	(12,075)
<b>Balance at December 31, 2015 . . . . .</b>		—	(12,075)	(49,416)	(61,491)	—	(61,491)
<b>Comprehensive loss</b>							
Loss for the year . . . . .		—	—	(1,467,126)	(1,467,126)	—	(1,467,126)
Currency translation differences . . . . .	31	—	364	—	364	—	364
<b>Total comprehensive loss for the year . . . .</b>		—	364	(1,467,126)	(1,466,762)	—	(1,466,762)

	Note	Attributable to the owner of the Company				Non-controlling interests	Total
		Share capital	Other reserves	Accumulated deficits	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000		
<b>Total transactions with owners in their capacity as owners</b>							
Capital injection . . . . .	31	—	307	—	307	—	307
Share-based compensation . . . . .	31	—	178,514	—	178,514	—	178,514
<b>Total transactions with owners in their capacity as owners . . . . .</b>		<u>—</u>	<u>178,821</u>	<u>—</u>	<u>178,821</u>	<u>—</u>	<u>178,821</u>
<b>Balance at December 31, 2016 . . . . .</b>		<u>—</u>	<u>167,110</u>	<u>(1,516,542)</u>	<u>(1,349,432)</u>	<u>—</u>	<u>(1,349,432)</u>
<b>Comprehensive loss</b>							
Loss for the year . . . . .		—	—	(239,412)	(239,412)	(97)	(239,509)
Currency translation differences . . . . .		—	(686)	—	(686)	—	(686)
<b>Total comprehensive loss for the year . . . . .</b>		<u>—</u>	<u>(686)</u>	<u>(239,412)</u>	<u>(240,098)</u>	<u>(97)</u>	<u>(240,195)</u>
<b>Total transactions with owners in their capacity as owners</b>							
Business combination . . . . .	34	—	—	—	—	463	463
<b>Total transactions with owners in their capacity as owners . . . . .</b>		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>463</u>	<u>463</u>
<b>Balance at December 31, 2017 . . . . .</b>		<u>—</u>	<u>166,424</u>	<u>(1,755,954)</u>	<u>(1,589,530)</u>	<u>366</u>	<u>(1,589,164)</u>

## COMBINED STATEMENTS OF CASH FLOWS

	Note	Period from March 31, 2015 to December 31, <u>Year ended December 31,</u>		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>				
Cash generated from operations . . . . .	35	14,096	1,313,980	889,846
Interests received . . . . .	11	12	3,934	11,446
Income tax paid . . . . .		—	(24,816)	(167,119)
<b>Net cash generated from operating activities</b> . . . . .		<u>14,108</u>	<u>1,293,098</u>	<u>734,173</u>
<b>Cash flows from investing activities</b>				
Payments for intangible assets . . . . .		(226)	(22,785)	(28,790)
Payments for property, plant and equipment . . . . .	15	(148)	(15,392)	(28,214)
Payments for acquisition of a subsidiary, net of cash acquired . . . . .	34	—	—	(15,399)
Payments for investments in associates and joint ventures . . . . .	17	—	(6,200)	(174,296)
Payments for investments in non-current financial assets at fair value through profit and loss . . . . .		—	(136,702)	(6,600)
Payments for investments in wealth management products . . . . .		(45,000)	(1,300,000)	(1,754,000)
Proceeds from disposal of investments in wealth management products . . . . .		—	1,351,238	1,784,720
Proceeds from disposal of investments in an associate . . . . .		—	—	974
Proceeds from disposal of non-current financial assets at fair value through profit and loss . . . . .		—	—	109,789
Increase in amounts due from third parties . . . . .		—	—	(16,000)
(Increase)/decrease in amounts due from Founders . . . . .		(1,100)	1,100	—
Proceeds from deferred government grants . . . . .		—	—	21,650
<b>Net cash used in investing activities</b> . . . . .		<u>(46,474)</u>	<u>(128,741)</u>	<u>(106,166)</u>
<b>Cash flows from financing activities</b>				
Capital injection from owners . . . . .		—	—	890
Proceeds from issuance of financial instruments with preferred rights . . . . .	35	50,000	228,525	143,000
<b>Net cash generated from financing activities</b> . . . . .		<u>50,000</u>	<u>228,525</u>	<u>143,890</u>
<b>Net increase in cash and cash equivalents</b> . . . . .		17,634	1,392,882	771,897
Cash and cash equivalents at beginning of period/year . . . . .		—	17,634	1,410,880
Exchange gains on cash and cash equivalents . . . . .		—	364	—
<b>Cash and cash equivalents at end of period/year</b> . . . . .	23	<u>17,634</u>	<u>1,410,880</u>	<u>2,182,777</u>

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. General information, reorganization and basis of presentation****(a) General information**

Inke Limited (the “Company”) was incorporated in the Cayman Islands on November 24, 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in operating a live streaming platform and provision of advertising services (the “Listing Business”) in the People’s Republic of China (the “PRC” or “China”).

Mr. Feng Yousheng (“Mr. Feng”), Ms. Liao Jieming (“Ms. Liao”) and Mr. Hou Guangling (“Mr. Hou”) are the Founders of the Group (the “Founders”).

**(b) Reorganization**

Prior to the incorporation of the Company and the completion of the reorganization as described below, the Listing Business was carried out by Beijing Meelive Network Technology Co., Ltd. (“Beijing Meelive”) and its subsidiaries.

Beijing Meelive was incorporated in China on March 31, 2015 by Mr. Feng, Mr. Liu Xiaosong and Shenzhen Communications Technology Co. Ltd. Ms. Liao and Mr. Hou subsequently made additional contribution to Beijing Meelive and through a series of equity transfers, Mr. Feng, Ms. Liao and Mr. Hou have become the majority owners of Beijing Meelive. Beijing Meelive then completed a few rounds of financing from angel investor, Series A investors and Series B investors during the Track Record Period.

For the purpose of introduction of domestic and overseas investors and preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a group reorganization (the “Reorganization”) to establish the Company as the ultimate holding company of the Listing Business. The Reorganization mainly involved the following:

- i. On November 24, 2017, the Company was incorporated in the Cayman Islands with an authorized share capital of US\$50,000 divided into 50,000,000 ordinary shares of par value of US\$0.001 each.
- ii. On November 30, 2017, Inke Holdings Limited (“Inke BVI”) was incorporated in the British Virgin Islands (“BVI”) and allocated 1 ordinary share of par value of US\$1 to the Company.
- iii. On December 19, 2017, Inke Technology Limited (“Inke HK”) was incorporated in Hong Kong (“HK”) as a direct wholly-owned subsidiary of Inke BVI.

- iv. On February 14, 2018, Beijing Cheese Network Technology Company Limited (“Inke PRC”) was established in China as a wholly foreign-owned enterprise with Inke HK being its sole equity holder.
- v. Pursuant to a series of contractual agreements dated February 14, 2018 (collectively referred to as the “Contractual Agreements”) between Inke PRC, Beijing Meelive and its respective equity holders. Inke PRC is able to effectively control, and receive substantially all the economic benefits of the business and operations of Beijing Meelive and its subsidiaries. Accordingly, Beijing Meelive and its subsidiaries are treated as controlled entities of the Company and consolidated by the Company.

Upon completion of Reorganization, each of the equity holders of Beijing Meelive became the shareholders of the Company with substantially the same shareholding percentages in Beijing Meelive before and after the Reorganization, and the Company became the holding company of the companies now comprising the Group.



Upon completion of the Reorganization and as of the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Country/place and date of incorporation/establishment	Registered/Issued and paid-up capital	Attributable equity interest of the Group			Principal activities/place of operation	Note
			As of December 31,				
			2015	2016	2017		
<b>Directly held —</b>							
Inke BVI	BVI / November 30, 2017	USD 1	—	—	100%	Investment holding / BVI (1) (2)	
<b>Indirectly held —</b>							
Inke HK	HK / December 19, 2017	USD 1	—	—	100%	Investment Holding / HK (1) (4)	
Inke PRC	The PRC / February 14, 2018	USD 1,000,000#	—	—	—	Provision of technology and consulting services and engaging in advertising business / the PRC (1) (2)	
Inke HongKong Limited	HK / July 12, 2016	HK\$ 1	—	100%	100%	Investment holding / HK (1) (3)	
<b>Indirectly controlled by the Company pursuant to the Contractual Agreements —</b>							
Beijing Meelive*	The PRC / March 31, 2015	RMB 1,713,224	100%	100%	100%	Operation of live-streaming platforms / the PRC (1) (5)	
<b>Direct and indirect subsidiaries of Beijing Meelive —</b>							
Hunan Inke Entertainment Network Information Co., Ltd. (湖南映客互娛網絡信息有限公司)* (“Hunan Inke”)	The PRC / May 30, 2016	RMB 50,000,000	—	100%	100%	Supporting services to operation of mobile live-streaming platforms / the PRC (1) (2)	
Ningbo Meishan Bonded Port Yingji Investment Management Co., Ltd. (寧波梅山保税港区映記投資管理有限公司)*	The PRC / May 31, 2016	RMB 1,000,000	—	100%	100%	Investment holdings in internet entities / the PRC (1) (2)	
Shanghai Meelive Network Technology Co., Ltd. (上海蜜萊塢網絡科技有限公司)*	The PRC / June 7, 2016	RMB 5,000,000	—	100%	100%	Investment holdings in internet entities / the PRC (1) (2)	

Company Name	Country/place and date of incorporation/establishment	Registered/Issued and paid-up capital	Attributable equity interest of the Group			Principal activities/place of operation	Note
			As of December 31,				
			2015	2016	2017		
<i>Direct and indirect subsidiaries of Beijing Meelive -</i>							
Beijing Inke Entertainment Technology Co., Ltd.(北京映客互娛科技有限公司)* (“Beijing Inke”)	The PRC / July 5, 2016	RMB 5,000,000#	—	100%	100%	Investment holdings in internet entities / the PRC (1) (2)	
Hunan Anyue Network Information Co., Ltd. (湖南安悅網絡信息有限公司)*	The PRC / September 20, 2016	RMB 10,000,000	—	100%	100%	Operation of mobile live-streaming platforms / the PRC (1) (2)	
Hunan Xiangsheng Network Information Co., Ltd. (湖南湘生網絡信息有限公司)*	The PRC / September 20, 2016	RMB 10,000,000	—	100%	100%	Operation of mobile live-streaming platforms / the PRC (1) (2)	
Hunan Enjoy Network Information Co., Ltd. (湖南快享網絡信息有限公司)*	The PRC / April 18, 2017	RMB 15,000,000	—	—	100%	Investment holdings in internet entities / the PRC (1) (2)	
Hunan Tiantianxiangshang Network Technology Co., Ltd. (湖南天天向上網絡技術有限公司)* (“Hunan Tiantianxiangshang”)	The PRC / May 19, 2009	RMB 13,571,428	—	—	100%	Online audio and video program services and support services to operation of mobile live-streaming platforms / the PRC (1) (2)	

Company Name	Country/place and date of incorporation/establishment	Registered/Issued and paid-up capital	Attributable equity interest of the Group		Principal activities/place of operation	Note
			As of December 31,			
			2015	2016		
Huai'an Inke Entertainment Network Information Co., Ltd. (淮安映客互娛網絡信息有限公司)* ("Huai'an Inke") .....	The PRC / June 15, 2017	RMB 5,000,000#	—	—	100% Support services to operation of mobile live-streaming platforms / the PRC	(1) (2)
Haomei Information Technology (Beijing) Co., Ltd.(好美信息技術(北京)有限公司)* ("Haomei Information") .....	The PRC / December 26, 2016	RMB 10,000,000	—	—	80% Operation of internet social application / the PRC	(1) (2)

# This represented the registered capital of these subsidiaries which are yet to fully pay up as of December 31, 2017. The paid up capital of Inke PRC, Beijing Inke and Huai'an Inke are nil, RMB500,000 and nil respectively as of December 31, 2017.

\* The English names of some of the subsidiaries referred in the above represent management's best efforts in translating the Chinese names of these subsidiaries as they do not have official English names.

- (1) All companies comprising the Group have adopted December 31, as their financial year-end date.
- (2) No statutory audited financial statements have been prepared by these subsidiaries as there was no statutory audit requirement in the place of their incorporation.
- (3) The statutory auditor of this subsidiary for the period from July 12, 2016 (date of incorporation) to December 31, 2017 was Smart Team CPA Limited (駿灑永豐會計師事務所有限公司).
- (4) No statutory audited financial statements have been prepared by this subsidiary as it was newly incorporated in December 2017.
- (5) The financial statements of this subsidiary for the year ended December 31, 2017 prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China was audited by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch.

(c) *Basis of presentation*

Immediately prior to and after the Reorganization, the Listing Business was carried out by Beijing Meelive and its subsidiaries. Upon the completion of the Reorganization, the Company has controlled Beijing Meelive through the Contractual Agreements mentioned in Note 1(b) above. The Company has not involved in any other business other than the Reorganization. The Reorganization is merely a reorganization of the Listing Business with no change in management of such business and majority of owners of the Listing Business remained the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under Beijing Meelive for the purpose of this report. The combined Historical Financial Information has been prepared on a combined basis and is presented using the carrying values of the Listing Business under Beijing Meelive for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between the group companies are eliminated on consolidation.

## 2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of the Historical Financial Information which are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 *Basis of preparation*

As at December 31, 2017, the Group has net deficits of RMB1,589 million. Given the fact that such net deficits were mainly arose from the non-cash fair value loss of the Group's financial instruments with preferred rights during the Track Record Period, the Group's continuous net cash generated from operating activities, and the Group's working capital forecast for the next twelve months, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital requirements and consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

(i) *Compliance with IFRS and HKCO*

The Historical Financial Information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

*(ii) Historical cost convention*

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss and financial instruments with preferred rights which are carried at fair value.

*(iii) New and amended standards adopted by the Group*

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period except for any new standards or interpretation that are not yet effective.

*(iv) New standards and interpretations not yet adopted*

The following new standards, amendments and interpretations to existing IFRSs have been published and are not mandatory for December 31, 2017 reporting period and have not been early adopted by the Group.

Standards	Effective for annual periods beginning on or after
IFRS 1 (Amendment), 'First time adoption of IFRS' . . . . .	January 1, 2018
IFRS 2 (Amendments), 'Classification and measurement of share-based Payment Transactions' . . . . .	January 1, 2018
IFRS 4 (Amendments), 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' . . . . .	January 1, 2018
IFRS 9, 'Financial Instruments' . . . . .	January 1, 2018
IFRS 9 (Amendment), 'Prepayment Features with Negative Compensation' . . . . .	January 1, 2019
IFRS 15, 'Revenue from contracts with customers' . . . . .	January 1, 2018
IFRS 15 (Amendment), 'Clarifications to IFRS 15' . . . . .	January 1, 2018
IFRS 16, 'Leases' . . . . .	January 1, 2019
IFRS 17, 'Insurance Contracts' . . . . .	January 1, 2021
IFRIC 23, 'Accounting for Uncertainties in Income Taxes' . . . . .	January 1, 2019
IAS 19 (Amendment), 'Plan Amendment, Curtailment and Settlement' . . . . .	February 1, 2018
IAS 28(Amendment), 'Investments in associates and joint ventures' . . . . .	January 1, 2018
IAS 40(Amendments), 'Transfer of investment property' . . . . .	January 1, 2018
IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' . . . . .	January 1, 2018
IFRS 10 and IAS 28 (Amendments), 'Sale or contribution of assets between an investor and its associate or joint venture' . . . . .	Effective date to be determined
Amendments to IFRS, 'Annual Improvements to IFRS 2015–2017 Cycle' . . . . .	January 1, 2019

The Group has already commenced an assessment of the impact of the above new standards, amendments and interpretations to existing IFRSs. The Group's assessment of the impact of these new standards that are relevant to the Group's operations is set out below:

### **IFRS 9 Financial Instruments**

#### *Nature of change*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

#### *Impact*

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

The financial assets held by the Group include certain equity investments currently measured at fair value through profit or loss, which would likely continue to be measured on the same basis under IFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated as fair value through profit and loss ("FVTPL") that is attributable to changes of that financial liability's credit risk to be recognized in other comprehensive income (without reclassification to profit and loss). The Group expects that the fair value change arising from the credit risk in the Group's financial liabilities designated as FVTPL are not significant.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through comprehensive income ("FVOCI"), contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group intends to apply the practical expedient of using the lifetime expected credit loss to measure the impairment. The Group expects the new ECL model has no material impact to the Group's financial assets as most of the financial assets subject to impairment test are of low credit risks.

The new accounting rules in relation to hedging practices are not expected to have significant impact on the Group, given that the Group does not have any hedging arrangement.

Based on the current assessment, the Group anticipates that the adoption of IFRS 9 is unlikely to have significant impact on amounts in respect of the Group's financial position and financial performance.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

***Date of adoption by the Group***

Must be applied for financial years commencing on or after January 1, 2018. The Group will apply the new rules retrospectively from January 1, 2018, with the practical expedients permitted under the Standard. Comparatives for 2017 will not be restated.

**IFRS 15 Revenue from Contracts with Customers**

***Nature of change***

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

***Impact***

Management has assessed the effects of applying the new standard and considered no material impact to the Group's financial statements.

***Date of adoption by the Group***

Mandatory for financial years commencing on or after January 1, 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognized in retained earnings as of January 1, 2018 and that comparatives will not be restated.

**IFRS 16 Leases**

***Nature of change***

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use asset (the right to use the leased items) and a financial liability (lease liability) to pay rentals are recognized on the balance sheet. In the statement of comprehensive income, rental expenses are not recognized while amortization arising from the right-of-use assets and interest expense on the lease liabilities are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

***Impact***

The standard will affect primarily the accounting for Group's operating leases. As of December 31, 2017, the Group has non-cancellable operating lease commitments of RMB42,390,000 (Note 33). The Group anticipates that the initial adoption of IFRS 16 in the future will result in an increase in right-of-use assets and lease liabilities, which is unlikely to have material impact on the Group's financial position. The Group also anticipates that the net impact (as a result of the combination of the interest expenses arising from the lease liabilities and the amortization of the right-of-use assets as compared to the rental expense under existing standard) on the Group's financial performance will not be material.

***Mandatory application date/ Date of adoption by the Group***

Mandatory for financial years commencing on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group.

***2.2 Principles of consolidation and equity accounting******(i) Subsidiaries***

Subsidiaries are all entities (including controlled entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

As described in Note 1, the wholly-owned subsidiary of the Company, Inke PRC, has entered into the Contractual Agreements, including the Exclusive Consulting and Service Agreement, Exclusive Call Option Agreement, Equity Pledge Agreement, and Powers of Attorney, with Beijing Meelive and its equity holders, which enable Inke PRC and the Group to:

- irrevocably exercise equity holders' voting rights of Beijing Meelive;
- exercise effective financial and operational control over of Beijing Meelive;
- receive substantially all of the economic interest returns generated by Beijing Meelive by way of technical and consulting services provided by Inke PRC;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Meelive from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations; and



- obtain a pledge over the entire equity interests of Beijing Meelive from its respective equity holders as collateral security for all of Beijing Meelive's payments due to Inke PRC and to secure performance of Beijing Meelive's obligation under the Contractual Agreements.

The Group does not have any equity interest in Beijing Meelive. As a result of the Contractual Agreements, the Group has rights to the variable returns from its involvement in Beijing Meelive and has the ability to affect those returns through its power over the Beijing Meelive, and is considered to control Beijing Meelive. Consequently, the Company regards Beijing Meelive as the indirect subsidiary under IFRS. The Group has included the financial position and results of the Beijing Meelive in the combined financial statements during the Track Record Period.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the combined statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

*(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognized at cost.

*(iii) Joint arrangements*

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures as of December 31, 2017.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the combined balance sheet.

*(iv) Equity accounting*

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

(v) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

### **2.3 Business combinations**

The acquisition method of accounting is used to account for all business combinations excluding those involving the entities under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business

- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

#### ***2.4 Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2.5 *Foreign currency translation*

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The function currency of the Company is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currencies. As the major operations of the Group are within China, the Group determined to present its combined financial statements in RMB.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the combined statement of comprehensive income, within finance income-net. All other foreign exchange gains and losses are presented in the combined statement of comprehensive income on a net basis within other (losses)/gains — net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

### (c) *Group companies*

The results and financial position of foreign operation (none of which has the currency of a hyperinflationary economy) that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## **2.6 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the combined statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

— Computer equipment	3 years
— Office equipment and furniture fixtures	3 years
— Leasehold improvements	3 years
— Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains — net" in the combined statement of comprehensive income.

## **2.7 Intangible assets**

### **(i) Goodwill**

Goodwill is measured as described in Note 2.8. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events

or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

*(ii) Licenses and copyrights*

Separately acquired licenses and copyrights are shown at historical cost or if acquired in a business combination, they are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

*(iii) Other intangible assets*

Other intangible assets mainly include software and domain names. They are initially recognized and measured at cost or fair value of intangible assets acquired through business combination.

*(iv) Amortization methods and periods*

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Licenses and copyrights 1-3 years
- Software 3-5 years
- Domain names 1-3 years

**2.8 Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.9 *Financial assets*

### (a) *Classification*

The Group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired, management's intentions and whether the assets are quoted in an active market. Management determines the classification of its financial assets at initial recognition.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables mainly comprise "Accounts receivables", "Other receivables, prepayments, deposits and other assets" (excluding prepayments), "Cash and cash equivalents" and "Restricted cash" in the combined balance sheet.

#### (ii) Financial assets at fair value through profit or loss

The Group has the following instruments falling into this category: certain investment with preferential rights or preferred shares issued by investee companies, which are hybrid instruments with embedded derivatives not closely related to the host contract. The Group designated the whole instruments as financial assets at fair value through profit or loss instead of bifurcating the embedded derivatives from the host contract.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. As of December 31, 2015, 2016 and 2017 the Group's investments in this category are all classified as non-current assets.

### (b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### (c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the combined statement of comprehensive income.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gain or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the combined statement of comprehensive income.

Dividends on financial assets at fair value through profit or loss are recognized in the combined statement of comprehensive income as part of “other (losses)/gains-net” when the Group’s right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the “other (losses)/gains-net”.

### ***2.10 Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### ***2.11 Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### **Assets carried at amortized cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicated that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the combined statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the combined statement of comprehensive income.

### ***2.12 Accounts receivables***

Accounts receivables are amounts due from online payment platforms and advertising agents for services performed in the ordinary course of business. If collection of accounts receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. See Note 2.11 for a description of the Group's impairment policies.

### ***2.13 Cash and cash equivalents***

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the combined balance sheet.

### ***2.14 Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### ***2.15 Accounts payables***

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

### ***2.16 Financial instruments with preferred rights***

Financial instruments with preferred rights issued by the Company are redeemable upon occurrence of certain future events or at the option of the holders as detailed in Note 24.

The Group designated the financial instruments with preferred rights as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are expensed in the combined income statement.

Subsequent to initial recognition, the financial instruments with preferred rights are carried at fair value with changes in fair value recognized in the combined income statement.

The financial instruments with preferred rights are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

### ***2.17 Current and deferred income tax***

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### ***2.17.1 Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### ***2.17.2 Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### **2.18 Employee benefits**

#### *(a) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the combined balance sheet.

#### *(b) Pension obligations*

The Group has only defined contribution plan in which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### *(c) Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

### ***2.19 Share-based compensation benefits***

Share-based compensation benefits are provided to certain employees via the employee share scheme as mentioned in Note 32. Under this employee share scheme, shares issued by the Company to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognized as an employee benefits expense with a corresponding increase in equity.

### ***2.20 Provisions***

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

### ***2.21 Revenue recognition and deferred revenue***

The Group mainly generates revenue from live streaming and online advertising. Revenue from live streaming is generated from Inke's mobile live streaming platform. Online advertising revenue is primarily generated from sales of advertising on Inke's mobile live streaming platform. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

#### ***(a) Live streaming***

The Group operates the Inke's mobile live streaming platform and provides an internet infrastructure to enable the streamers and users to interact through the platform. The Group operates a virtual currency system, under which the users can use the virtual currency to purchase consumable virtual items to present to the streamers to show support or enhance communication and virtual services to increase the invisibility of their profile and messages. The platform is open to all users and streamers for free. The Group generates revenue from the sale of virtual currencies which can be used to purchase virtual items and services on the platform. In order to attract user traffic to the platform, the Group shares revenues with the streamers in accordance with the streamer agreements with the Group. The Group concluded that it is the primary obligor to fulfill all obligations related to

the sales of virtual items and virtual services on the platform and has latitude in establishing price. Accordingly, the Group records revenue on a gross basis and the portion shared with individual streamers and the streamer agents that managed streamers (“streamer costs”) are accounted for as cost of revenues.

Upon the sales of virtual currency, the Group typically has an implied obligation to provide the services which enable the virtual currency to be usable in the platform. Virtual currency sold but not yet consumed by the purchaser is recorded as “Deferred revenue” and are recognized as revenues based on the weighted average unit price of virtual currencies and the quantities of virtual currencies redeemed for virtual items which are consumed simultaneously. The weighted average unit price of virtual currencies is calculated on a monthly basis as the deferred revenue at the beginning of the month plus proceeds received during the month divided by the corresponding quantity of virtual currencies. For those virtual items or services that will be extinguished shortly after consumption, the user will not continue to be benefited from the virtual items or services and the Group does not have further obligations to the user after the consumption. Therefore, revenue is recognized immediately when the consumable virtual items or services are consumed. The Group also provides other value-added services that enable special privileges and abilities to the purchasers over an extended period of time. Revenue is recognized ratably over the beneficial period. The Group’s revenue from durable virtual services is insignificant for all the period/years presented.

*(b) Advertising revenue*

The Group primarily generate advertising revenues from sales of various forms of advertisements and provision of promotion campaigns on the live streaming platform by way of advertisement display or integrated promotion activities in shows and programs on the live streaming platform. Advertisements on the Group’s platform are generally charged on the basis of duration, the Group recognizes revenue ratably over the period that the advertising is provided where collectability is reasonably assured.

**2.22 Interest income**

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

**2.23 Government grants**

Grants from government are recognized at their fair value where there is a reasonable assurance that the grant subsidies will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### **2.24 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statement of comprehensive income or loss on a straight-line basis over the period of the lease.

### **2.25 Research and development expenses**

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved softwares) are capitalized as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognized as expenses as incurred.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

### **2.26 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

### **2.27 Dividends distribution**

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

## **3. Financial risk management**

### **3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors.

*(a) Market risk*

## i. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company and the subsidiaries operated in the PRC are RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

## ii. Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for those investment in wealth management products which are classified as financial assets at fair value through profit and loss, cash and cash equivalents and restricted cash, details of which have been disclosed in Notes 18 and 23, respectively.

As of December 31, 2016 and 2017, the Group's borrowings were borrowings that carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

*(b) Credit risk*

The Group is exposed to credit risk primarily in relation to its cash and cash equivalent and restricted cash placed with banks and financial institutions, as well as accounts and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

The Group, generated revenue through operating live streaming platform, as well as partnering with advertisers for tailored marketing, has a highly diversified customer base, without any single customer contributing material revenue. For the Group's online business, accounts receivables at the end of each reporting period were mainly due from certain online payment operators in China. If the strategic relationship with the online payment operators is terminated or scaled-back; or if the online payment operators alter the co-operative

arrangements; or if they experience financial difficulties in paying the Group, the Group's corresponding accounts receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the online payment operators to ensure effective credit control. In view of the history of cooperation with the online payment operators and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding accounts receivable balances due from the online payment operators is low. For accounts receivables, which are mainly from agencies, the credit quality of each agent is assessed, which takes into account its financial position, past experience and other factors.

For other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Group</b>					
<b>At December 31, 2015</b>					
Borrowing . . . . .	—	—	—	—	—
Accounts payables . . . . .	9,980	—	—	—	9,980
Other payables and accruals (excluding salaries and welfare payables and other tax payable) . . . . .	1,821	—	—	—	1,821
Financial instruments with preferred rights . . . . .	—	—	—	171,245	171,245
	<u>11,801</u>	<u>—</u>	<u>—</u>	<u>171,245</u>	<u>183,046</u>



	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	
<b>At December 31, 2016</b>					
Borrowing	—	14,090	—	—	14,090
Accounts payables	622,798	—	—	—	622,798
Other payables and accruals (excluding salaries and welfare payables and other tax payable)	1,056	—	—	—	1,056
Financial instruments with preferred rights	—	—	—	2,341,868	2,341,868
	<u>623,854</u>	<u>14,090</u>	<u>—</u>	<u>2,341,868</u>	<u>2,979,812</u>
<b>At December 31, 2017</b>					
Borrowing	14,090	—	—	—	14,090
Accounts payables	625,897	—	—	—	625,897
Other payables and accruals (excluding salaries and welfare payables and other tax payable)	9,518	—	—	—	9,518
Financial instruments with preferred rights	—	—	—	3,373,353	3,373,353
	<u>649,505</u>	<u>—</u>	<u>—</u>	<u>3,373,353</u>	<u>4,022,858</u>

As of December 31, 2015, 2016 and 2017, financial instruments with preferred rights were classified as non-current liabilities. The Group recognizes the financial instruments with preferred rights at fair value through profit or loss, accordingly, financial instruments with preferred rights are managed on a fair value basis rather than by maturity date.

### 3.2 Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the combined balance sheet as cash and cash equivalents exceed the borrowing at each reporting date plus net debt. As of December 31, 2015, 2016 and 2017, the Group has a net cash position. If the gearing ratio is over 100%, the management of the Group would take appropriate actions to better manage the Company's capital.

## 3.3 Fair value estimate

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2015, 2016 and 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's level 3 assets and liabilities that are measured at fair value as of December 31, 2015, 2016 and 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As of December 31, 2015</b>				
Assets				
Financial assets at fair value through profit and loss . . . . .	<u>—</u>	<u>—</u>	<u>45,000</u>	<u>45,000</u>
Liabilities				
Financial instruments with preferred rights . . . . .	<u>—</u>	<u>—</u>	<u>171,245</u>	<u>171,245</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As of December 31, 2016</b>				
Assets				
Financial assets at fair value through profit and loss . . . . .	<u>—</u>	<u>—</u>	<u>31,702</u>	<u>31,702</u>
Liabilities				
Financial instruments with preferred rights . . . . .	<u>—</u>	<u>—</u>	<u>2,341,868</u>	<u>2,341,868</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As of December 31, 2017</b>				
Assets				
Financial assets at fair value through profit and loss . . . . .	<u>—</u>	<u>—</u>	<u>40,430</u>	<u>40,430</u>
Liabilities				
financial instruments with preferred rights . . . . .	<u>—</u>	<u>—</u>	<u>3,373,353</u>	<u>3,373,353</u>

The changes in level 3 instruments for the period/years ended December 31, 2015, 2016 and 2017 are presented in Note 18 and 24.

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included investments in private companies, investments in wealth management products issued by banks and financial instruments with preferred rights. As these instruments are not traded in an active market, their fair value have been determined using various applicable valuation techniques, including discounted cash flows, comparable companies etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of weighted average cost of capital ("WACC"), recent market transactions, estimated discount for marketing and other exposure etc.

The Group's financial assets of RMB 45 million as at December 31, 2015 were investments in wealth management products issued by banks. Fair value of these financial assets as at December 31, 2015 would have been RMB 20,000 higher/RMB 20,000 lower should the yield rate be higher/lower by 50 basis points from management's estimation.

The Group's financial assets of RMB 31.7 million and RMB 40.4 million as at December 31, 2016 and December 31, 2017, respectively, were investments in equity interests with preferred rights of two private companies. Market approach was adopted to determine the 100% equity value of these two private companies and equity allocation model was used to allocate the equity value to the investments held by the Group. Fair value of these financial assets as at December 31, 2016 and 2017 would have been RMB 623,000 lower/RMB 580,000 higher, and RMB 752,000 lower/RMB 741,000 higher, should the volatilities used in the valuation model be higher/lower by 500 basis points from management's estimation.

The Group's financial liabilities of RMB171.2 million, RMB2,341.9 million and RMB3,373.4 million as at December 31, 2015, 2016 and 2017, respectively, were financial instruments with preferred rights issued by Beijing Meelive. Fair value of these financial instruments with preferred rights as at December 31 2015, 2016 and 2017 would have been RMB 4,817,000 lower/RMB 5,244,000 higher, RMB 92,449,000 lower / RMB105,129,000 higher, RMB 123,248,000 lower /RMB 141,507,000 higher, should the discount rate used in discount cash flow analysis be higher/lower by 100 basis points from management's estimation.

#### **4. Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Fair value of financial assets*

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(b) *Fair value of financial instruments with preferred rights*

As disclosed in Note 24, the fair value of financial instruments with preferred rights at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. The Group uses its judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. The Group has used discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of financial instruments with preferred rights, which involved the use of significant accounting estimates and judgments.

(c) *Revenue recognition*

The Group has assessed whether it acts as a principal or an agent in selling virtual items and services as described in Note 2.21, and has concluded that reporting the gross amount equivalent to the cash proceeds that the Group receives from the sale of virtual currency to users, because the Group concluded that it is the primary obligor to fulfill all obligations related to the sales of virtual items and virtual services on the platform and has latitude in establishing price.

(d) *Recoverability of non-financial assets*

The Group tests annually whether goodwill has suffered any impairment, or tests more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take impairment charge to the combined statement of comprehensive income or loss.

## 5. Segment information

The Group's business activities are mainly in live streaming business, for which discrete financial statements are available, and are regularly reviewed and evaluated by the CODM which are the chief executive

officers and the vice presidents of the Group. As a result of this evaluation, the CODM considered that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As of December 31, 2015, 2016 and 2017, substantially all of the non-current assets of the Group were located in the PRC.

## 6. Revenue

	Period from March 31, 2015 to December 31,		
	2015	Year ended December 31,	
	RMB'000	2016 RMB'000	2017 RMB'000
Live streaming . . . . .	27,161	4,325,615	3,919,000
Online advertising . . . . .	—	9,244	22,435
Others . . . . .	1,541	—	161
	<u>28,702</u>	<u>4,334,859</u>	<u>3,941,596</u>

## 7. Expenses by nature

	Period from March 31, 2015 to December 31,		
	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Streamer costs . . . . .	10,883	2,339,575	2,212,688
Promotion and advertising expenses . . . . .	9,138	705,427	323,397
Employee benefit expenses (Note 8) . . . . .	2,477	275,059	227,823
Payment handling costs . . . . .	1,393	164,805	97,341
Outsourced development costs . . . . .	—	137,286	55,645
Bandwidth and server custody costs . . . . .	1,395	122,287	122,045
Content and copyright cost . . . . .	—	7,525	24,407
Technical support and professional service fees . . . . .	453	43,741	26,926
Taxes and surcharges . . . . .	210	22,300	24,258
Traveling, entertainment and general office expenses . . . . .	466	12,769	23,760
Operating lease rentals . . . . .	205	6,294	20,475
Amortization of intangible assets (Note16) . . . . .	—	1,898	8,524
Depreciation of property, plant and equipment (Note15) . . . . .	9	630	9,463
Auditor's remuneration . . . . .	—	—	—
Other expenses . . . . .	165	5,885	2,461
	<u>26,794</u>	<u>3,845,481</u>	<u>3,179,213</u>

## 8. Employee benefits expenses

	Period from March 31, 2015 to December 31,		
	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses . . . . .	2,023	80,192	176,967
Pension costs — defined contribution plans . . . . .	167	6,349	17,921
Other social security costs, housing benefits . . . . .	287	10,004	32,935
Share-based compensation expenses (Note 32) . . . . .	—	178,514	—
	<u>2,477</u>	<u>275,059</u>	<u>227,823</u>

## (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three, two, two directors for the period/years ended December 31, 2015, 2016 and 2017 respectively, and their emoluments are reflected in

the analysis shown in Note 37. The emoluments payable to the remaining two, three, three individuals during the Track Record Period are as follows:

	Period from March 31, 2015 to December 31, 2015			Year ended December 31,	
		2016	2017		
	RMB'000	RMB'000	RMB'000		
Salaries, wages and bonuses . . . . .	205	1,781	4,710		
Pension costs-defined contribution plans . . . . .	14	101	128		
Other social security costs, housing benefits . . . . .	17	127	160		
Other benefits . . . . .	—	77,675	—		
	<u>236</u>	<u>79,684</u>	<u>4,998</u>		

The emoluments of the non-director highest paid individuals fell within the following bands:

	Period from March 31, 2015 to December 31, 2015			Year ended December 31,	
		2016	2017		
	(number of persons)				
Emoluments bands:					
Nil to HK\$1,000,000 . . . . .	2	—	—		
HK\$1,500,001 to HK\$2,000,000 . . . . .	—	—	2		
HK\$2,000,001 to HK\$2,500,000 . . . . .	—	—	1		
HK\$7,500,001 to HK\$8,000,000 . . . . .	—	1	—		
HK\$11,500,001 to HK\$12,000,000 . . . . .	—	1	—		
HK\$73,500,001 to HK\$74,000,000 . . . . .	—	1	—		
	<u>2</u>	<u>3</u>	<u>3</u>		

During the Track Record Period, no director or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

## 9. Other (losses)/gains — net

	Period from March 31, 2015 to December 31, 2015			Year ended December 31,	
		2016	2017		
	RMB'000	RMB'000	RMB'000		
Donations	—	(1,502)	(6,825)		
Fair value gain of financial assets at fair value through profit or loss					
— Wealth management products	—	6,238	30,720		
— Equity investments	—	—	23,789		
Penalty	(3)	(297)	(23)		
Provisions for claims and legal proceedings (Note 29)	—	—	(8,800)		
Others	(2)	84	(1,276)		
	<u>(5)</u>	<u>4,523</u>	<u>37,585</u>		

## 10. Other income

	Period from March 31, 2015 to December 31, 2015			Year ended December 31,	
		2016	2017		
	RMB'000	RMB'000	RMB'000		
Government grants					
— Subsidies based on certain amount of tax paid <sup>(i)</sup>	—	—	48,242		
— Subsidies granted by various local governments to encourage the Group to operate where these governments are located <sup>(ii)</sup>	—	—	19,452		
— Deferred government grant			3,520		
	<u>—</u>	<u>—</u>	<u>71,214</u>		

## Notes:

- (i) Tax based subsidies amounted to RMB 48,242,000 were granted by local government authorities to incentivise the Group's business growth.
- (ii) Reward amounted to RMB 19,452,000 were granted by the local government authorities in Beijing and Changsha to reward the Group's achievement and support the Group's development.



**11. Finance income and costs**

	Period from		
	March 31, 2015		
	to		
	December 31,	Year ended December 31,	
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>Finance costs</b>			
— Interest costs . . . . .	—	(633)	(847)
<b>Finance income</b>			
— Interest income . . . . .	12	3,934	11,446
<b>Finance income — net</b> . . . . .	<u>12</u>	<u>3,301</u>	<u>10,599</u>

**12. Income tax expenses****(a) Cayman Islands and BVI Income Tax**

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

**(b) Hong Kong Income Tax**

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

**(c) PRC Enterprise Income Tax (“EIT”)**

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Beijing Meelive was qualified as “High and New Technology Enterprises” (“HNTEs”) under the relevant PRC laws and regulations since 2016. Accordingly, Beijing Meelive was entitled to a preferential income tax rate of 15% on their estimated assessable profits for the years ended December 31, 2016 and 2017.

Hunan Inke was accredited as a “software enterprise” under the relevant PRC laws and regulations in 2017. Accordingly, Hunan Inke is exempted from EIT for two years, followed by a 50% reduction of taxation, i.e. 12.5%, for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years. The first tax exemption year for Hunan Inke was 2017.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”).

*(d) PRC Withholding Tax (“WHT”)*

According to the New Corporate Income Tax Law (“New EIT Law”), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on if the foreign investor is considered as the beneficial owner of the dividend according to the double tax treaty (agreement) between China and the jurisdiction of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

During the Track Record Period, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.

	Period from March 31, 2015 to December 31, 2015	Year ended December 31,	
	RMB'000	2016 RMB'000	2017 RMB'000
Current tax . . . . .	5,168	108,640	80,840
Deferred income tax . . . . .	<u>(4,713)</u>	<u>(4,062)</u>	<u>7,455</u>
<b>Income tax expense</b> . . . . .	<u>455</u>	<u>104,578</u>	<u>88,295</u>

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities and details are as follows:

	Period from March 31, 2015 to December 31, 2015			Year ended December 31,	
	RMB'000	RMB'000	RMB'000	2016	2017
Loss before income tax . . . . .	(48,961)	(1,362,548)	(151,214)		
Tax calculated at statutory tax rate of 25% . . . . .	(12,240)	(340,637)	(37,803)		
Tax effects of:					
Effects of preferential tax rates applicable to certain subsidiaries of the Group . . . . .	—	135,578	(20,016)		
Non-deductible expenses					
— Share-based compensation . . . . .	—	26,777	—		
— Fair value loss of financial instruments with preferred rights . . . . .	12,718	278,521	154,723		
— Others . . . . .	174	5,811	1,164		
Income not subject to tax					
— Fair value gain at financial assets at fair value through profit and loss . . . . .	—	—	(3,500)		
Impact on share of results of investments accounted for using equity method . . . . .	—	735	(377)		
Tax losses of a subsidiary which no deferred income tax assets was recognized . . . . .	—	958	1,995		
Tax effect of Super Deduction . . . . .	(197)	(3,165)	(7,891)		
	<u>455</u>	<u>104,578</u>	<u>88,295</u>		

At December 31, 2015, 2016 and 2017, the Group did not recognize deferred income tax assets of nil, RMB 958,000, and RMB1,995,000 in relation to cumulative tax losses which are expected to expire until December 31, 2021 and December 31, 2022.

### 13. Earnings/(loss) per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganization and the preparation of the Group's results for each of the period/years ended December 31, 2015, 2016 and 2017 is on a combined basis as disclosed in Note 1(c) above.

### 14. Dividends

No dividends have been paid or declared by the Company during each of the period/years ended December 31, 2015, 2016 and 2017.

## 15. Property, plant and equipment

	Computer equipment	Office equipment and furniture fixtures	Motor vehicles	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>					
At March 31, 2015	—	—	—	—	—
Additions	148	—	—	—	148
At December 31, 2015	148	—	—	—	148
<b>Accumulated depreciation:</b>					
At March 31, 2015	—	—	—	—	—
Depreciation	(9)	—	—	—	(9)
At December 31, 2015	(9)	—	—	—	(9)
<b>Net carrying amount:</b>					
At March 31, 2015	—	—	—	—	—
At December 31, 2015	139	—	—	—	139
<b>Cost:</b>					
At January 1, 2016	148	—	—	—	148
Additions	15,071	14	269	38	15,392
At December 31, 2016	15,219	14	269	38	15,540
<b>Accumulated depreciation:</b>					
At January 1, 2016	(9)	—	—	—	(9)
Depreciation	(604)	—	(16)	(10)	(630)
At December 31, 2016	(613)	—	(16)	(10)	(639)
<b>Net carrying amount:</b>					
At January 1, 2016	139	—	—	—	139
At December 31, 2016	14,606	14	253	28	14,901
<b>Cost:</b>					
At January 1, 2017	15,219	14	269	38	15,540
Additions	5,265	609	—	22,340	28,214
Business combination (Note 34)	213	—	—	—	213
At December 31, 2017	20,697	623	269	22,378	43,967
<b>Accumulated depreciation:</b>					
At January 1, 2017	(613)	—	(16)	(10)	(639)
Depreciation	(5,513)	(19)	(64)	(3,867)	(9,463)
At December 31, 2017	(6,126)	(19)	(80)	(3,877)	(10,102)
<b>Net carrying amount:</b>					
At January 1, 2017	14,606	14	253	28	14,901
At December 31, 2017	14,571	604	189	18,501	33,865

Depreciation expenses have been charged to the combined income statement as follows:

	Period from March 31, 2015 to December 31,		
	2015	Year ended December 31,	
	RMB'000	2016	2017
	RMB'000	RMB'000	RMB'000
Cost of sales . . . . .	—	390	5,209
Administrative expenses . . . . .	7	89	1,187
Research and development expenses . . . . .	—	130	2,688
Selling and marketing expenses . . . . .	2	21	379
	<u>9</u>	<u>630</u>	<u>9,463</u>

## 16. Intangible assets

	<u>Goodwill</u>	<u>Softwares</u>	<u>Domain names</u>	<u>Licenses and copyrights</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>					
At March 31, 2015	—	—	—	—	—
Additions	—	—	226	—	226
At December 31, 2015	—	—	226	—	226
<b>Accumulated amortizations</b>					
At March 31, 2015	—	—	—	—	—
Amortization	—	—	—	—	—
At December 31, 2015	—	—	—	—	—
<b>Net carrying amount:</b>					
At March 31, 2015	—	—	—	—	—
At December 31, 2015	—	—	226	—	226
<b>Cost:</b>					
At January 1, 2016	—	—	226	—	226
Additions	—	4,785	—	—	4,785
At December 31, 2016	—	4,785	226	—	5,011
<b>Accumulated amortizations</b>					
At January 1, 2016	—	—	—	—	—
Amortization	—	(1,672)	(226)	—	(1,898)
At December 31, 2016	—	(1,672)	(226)	—	(1,898)
<b>Net carrying amount:</b>					
At January 1, 2016	—	—	226	—	226
At December 31, 2016	—	3,113	—	—	3,113
<b>Cost:</b>					
At January 1, 2017	—	4,785	226	—	5,011
Additions (a)	—	2,891	—	43,899	46,790
Business combination (Note 34)	14,147	36	—	7,000	21,183
At December 31, 2017	14,147	7,712	226	50,899	72,984
<b>Accumulated amortizations</b>					
At January 1, 2017	—	(1,672)	(226)	—	(1,898)
Amortization	—	(2,399)	—	(6,125)	(8,524)
At December 31, 2017	—	(4,071)	(226)	(6,125)	(10,422)
<b>Net carrying amount:</b>					
At January 1, 2017	—	3,113	—	—	3,113
At December 31, 2017	14,147	3,641	—	44,774	62,562

*(a) Additions in 2017*

In July 2017, Beijing Meelive acquired 100% equity interests in Hunan Tiantianxiangshang at a total consideration of RMB 45,000,000. Other than owning certain intangible assets, Hunan Tiantianxiangshang has no other operating or business activities that constitute a “business” under the relevant accounting standard. Accordingly, the acquisition of Hunan Tiantianxiangshang was accounted for as an acquisition of an asset. After netting off the consideration against other current assets of Hunan Tiantianxiangshang amounting to RMB 1,097,000 at acquisition date, an intangible asset of RMB 43,899,000 (recorded in “Licenses and copyrights”) was acquired through this acquisition in 2017.

Amortization charges were expensed in the following categories in the combined income statements:

	Period from		Year ended December 31,
	March 31,	December 31,	
	2015 to	2015 to	
	December 31,	December 31,	
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cost of revenue . . . . .	—	242	6,196
Administrative expenses . . . . .	—	67	259
Research and development expenses . . . . .	—	1,583	1,981
Selling and marketing expenses . . . . .	—	6	88
	<u>—</u>	<u>1,898</u>	<u>8,524</u>

*(b) Impairment test for goodwill*

As of December 31, 2017, the goodwill of the Group was generated from acquisition of Haomei Information (as mentioned and defined in Note 34) in November 2017 and Haomei Information was considered as a separate cash generating unit (the “CGU”).

The Group carries out its annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount was determined based on value-in-use calculation. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a seven-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the seven-year period. The management believes that it is appropriate to cover a seven-year period in its cash flow projection, because it captures the development stage of the related business of Haomei Information (which was newly established on December 26, 2016) during which the Group expects to experience a high growth rate. The key assumptions used by management for value-in-use calculation include:

- (i) the compound annual growth rate of revenue for a seven-year period of 49%, which was a combined consideration of the rapid growth at the beginning stage and mature mobile game industry’s average growth rate in subsequent years;

- (ii) pre-tax discount rate of 24.3% which was estimated by using the weighted average cost of capital (“WACC”) method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of Haomei Information;
- (iii) the estimated growth rate used in the value-in-use calculation for period beyond the seven-year period was 3.0%, after making reference to long term inflation rate of China.

A sensitivity analysis on key assumptions used in the goodwill impairment testing has been performed. As of December 31, 2017, the recoverable amount calculated based on value-in-use exceeded carrying value by RMB2.8 million. Had the estimated profit during the forecast period been 5% lower or the discount rate been 1% higher, the remaining headroom would be decreased to RMB 1.7 million and RMB 1.5 million respectively. A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amount as of December 31, 2017.

#### 17. Investments accounted for using the equity method

The amounts recognized in the balance sheet are as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Associates . . . . .	—	3,259	128
Joint ventures . . . . .	—	—	174,943
	<u>—</u>	<u>3,259</u>	<u>175,071</u>

The amounts of loss recognized in the combined income statement are as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Associates . . . . .	—	(2,941)	(2,157)
Joint ventures . . . . .	—	—	647
	<u>—</u>	<u>(2,941)</u>	<u>(1,510)</u>



*(a) Investment in associates*

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At the beginning of the period/year . . . . .	—	—	3,259
Addition . . . . .	—	6,200	—
Share of losses of associates . . . . .	—	(2,941)	(2,157)
Disposal . . . . .	—	—	(974)
At the end of the year . . . . .	—	3,259	128

List of the Group's associates, all are private companies, is as follows:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Carrying amount		
			2015	2016	2017
			RMB'000	RMB'000	RMB'000
			(Note a)		
Guangying Shidai Beijing Technology Limited (光映时代北京科技有限公司)* . . . . .	The PRC	10% (Note a)	—	200	128
Beijing Yingwu Technology Limited (北京映舞科技有限公司)* . . . . .	The PRC	40%	—	3,059	—

Note: (a) The Group has the right to appoint two directors out of the total of five board seats in this entity and thereby considered to have significant influence in this entity.

\* The English names of the associates referred in the above represent management's best efforts in translating the Chinese names of these entities as they do not have official English names.

As of December 31, 2016 and 2017, none of the associates are considered material to the Group.

*(b) Investment in joint ventures*

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At the beginning of the period/year . . . . .	—	—	—
Addition . . . . .	—	—	174,296
Share of profits of the joint ventures . . . . .	—	—	647
At the end of the year . . . . .	—	—	174,943

List of the Group's joint ventures is as follows:

Name of entity	Place of business /country of incorporation	% of ownership interest	Principal activities	Carrying amount 2017 RMB'000
Beijing Yingtianxia Network Technology Co., Ltd. (北京映天下網絡科技有限公司)* (“Beijing Yingtianxia”) . . . . .	The PRC	62.11% (Note a)	Streamer management and advertising agency	7,029
Hunan Haohan Internet Microcredit Co., Ltd. (湖南浩瀚匯通互聯網小額貸款有限公司)* (“Hao Han Hui Tong”) . . . . .	The PRC	30.00%	Consumer finance; Had not commenced operations as of December 31, 2017	90,000
Ningbo Meishan Bonded Port Area Qingyuwanfeng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區青雨萬峰股權投資合夥企業 (有限合夥) )* (“Qing Yu Wan Feng”) . . . . .	The PRC	99.98% (Note b)	Investment	62,924
Ningbo Meishan Bonded Port Area Qingshanshangfeng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區青山尚峰股權投資合夥企業 (有限合夥) )* (“Qing Shan Shang Feng”) . . . . .	The PRC	99.93% (Note b)	Investment	14,990

*Notes:*

- (a) The Group determined that it does not have unilateral control in this entity as certain of the financial and operating activities of this entity should be jointly approved by the Group and other shareholders.
- (b) The Group is acting as a limited partner in these two limited partnerships. The general partners have the rights to make decisions without the approvals of limited partners. As for December 31, 2017, the Group is the only limited partner in these two limited partnerships.
- \* The English names of the joint ventures referred in the above represent management's best efforts in translating the Chinese names of these entities as they do not have official English names.

The joint ventures as listed above are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the Group's interests in these joint ventures.

**Summarized financial information for joint ventures**

## (i) Material joint venture

Set out below are the summarized financial information of a material joint venture — Hao Han Hui Tong as of December 31, 2017:

	<u>2017</u>
	<u>RMB'000</u>
Current assets	
Cash and cash equivalents . . . . .	300,000
Other current assets . . . . .	—
Total current assets . . . . .	<u>300,000</u>
<b>Net assets</b> . . . . .	<u><u>300,000</u></u>
<b>Reconciliation to carrying amounts:</b>	
Net assets at the date of incorporation . . . . .	300,000
Profit for the period . . . . .	—
<b>Closing net assets</b> . . . . .	300,000
Group's share % . . . . .	<u>30.00%</u>
Carrying amount . . . . .	<u><u>90,000</u></u>

## (ii) Individually immaterial joint ventures

In addition to the interests in the joint venture disclosed above, the Group also has interests in a number of immaterial joint ventures:

	<u>2017</u>
	<u>RMB'000</u>
Aggregate carrying amount of individually immaterial joint ventures . . . . .	84,296
Aggregate amounts of the Group's share of:	
Profit from continuing operations . . . . .	647
Other comprehensive income . . . . .	—
Total comprehensive income . . . . .	<u><u>647</u></u>

**18. Financial assets at fair value through profit and loss***(a) Non-current*

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	—	—	31,702
Additions (i)(ii)(iii)(iv) . . . . .	—	31,702	111,600
Disposals (i)(iii) . . . . .	—	—	(126,661)
Fair value gain . . . . .	—	—	23,789
At the end of the year . . . . .	—	31,702	40,430

The Group made investments in preferred shares and equity interests with preferred rights of certain private companies. The key terms of these investments are as follows:

*Dividend right:*

Each holder of the preferred shares and equity interests with preferred rights shall be entitled to receive preferential, non-cumulative dividends at the fixed rate per annum of the issue price.

*Conversion right:*

Each holder of the preferred shares and equity interests with preferred rights shall have the conversion rights, respectively, into ordinary shares when certain events occurs.

These investments held by the Group contain embedded derivatives that are not closely related to the host contracts. After considering the Group's investment objectives and intention, the Group decided not to bifurcate the embedded derivatives from the host instruments and designated the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in "other (losses)/gains, net" in the combined statement of comprehensive income. For the years ended December 31, 2016 and 2017, the Group recorded fair value gain of nil, RMB23,789,000, against the carrying amount of its investments in the investee companies, respectively, based on results of its fair value assessment.

The Group's financial assets at fair value through profit and loss are mainly comprised the following:

- (i) On August 3, 2016, the Group made an investment in preferred shares of a private company, named Next Entertainment Global Holding Ltd. ("Next Entertainment") that engaged in provision of overseas video live streaming services. This investment was initially measured at fair value of USD 2,450,000 (equivalent of RMB 16,872,000) and represented 39.2% equity interests in Next Entertainment on an as if converted basis.

On December 20, 2017, the Group disposed of all the preferred shares of Next Entertainment with original acquisition cost of USD 2,450,000.

- (ii) On December 5, 2016, the Group made an investment in equity interests with preferred rights of a private company (which represented 11% equity interests in this investee on an as if converted basis), named Beijing Qingliu Dingdian Technology Co., Ltd. (北京清流鼎點科技有限公司) that engaged in provision of transmission technology services. This initial investment and the fair value as of December 31, 2016 was RMB14,830,000, and the investment was measured at fair value of RMB16,090,000 as at December 31, 2017.
- (iii) On March 16, 2017, the Group made an investment in preferred shares of a private company, named Beijing Xianlaihuyu Network Technology Co., Ltd. (“Beijing Xianlaihuyu”; 北京閑徠互娛網絡科技有限公司) that engaged in provision of mobile game research and development. This investment was initially measured at fair value of RMB 100,000,000 (represented 5% equity interests in Beijing Xianlaihuyu on an as if converted basis) which was fully prepaid in 2016 and recorded in “Other receivables, prepayments, deposits and other assets” in the combined balance sheets.

On July 14, 2017, the Group disposed of all preferred shares of Beijing Xianlaihuyu in an amount of RMB 109,789,000 and resulting with a fair value gain of RMB9,789,000.

- (iv) On January 5, 2017, the Group made an investment of RMB 5,000,000 in preferred shares of a private company (which represented 10% equity interests in this investee on an as if converted basis), named Miaoa (Beijing) Technology Limited (秒啊(北京)科技有限公司) that engaged in provision of time management services. This investment was measured at fair value of RMB 17,740,000 as at December 31, 2017.

The initial fair value of this investment was RMB 5,000,000, which was fully prepaid in 2016 and recorded in “Other receivables, prepayments, deposits and other assets” in the combined balance sheets.

**(b) Current**

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Investment in wealth management products . . . . .	45,000	—	—

All the investment in wealth management products were issued by reputable banks in the PRC with expected annual returns of 2.1%~3.0% for the period ended December 31, 2015. The returns on all of these wealth management products were not principal guaranteed, and were therefore designated as financial assets at fair value through profit or loss. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy. Changes in fair value (realized

and unrealized) of these financial assets had been recorded in “Other (losses)/gains-net” in the combined statements of income or loss.

The maximum exposure to credit risk at the reporting date is the carrying value of these investments. None of these investments are either past due or impaired.

### 19. Financial instruments by category

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>Assets as per combined statements of financial position</b>			
Financial assets at fair value through profit or loss:			
— Financial assets at fair value through profit and loss (Note 18) . . . . .	45,000	31,702	40,430
Loans and receivables:			
— Accounts receivables (Note 21) . . . . .	3,102	40,078	42,861
— Other receivables, prepayments, deposits and other assets (excluding prepayments and deductible input VAT) (Note 22) . . . . .	59,911	176,913	52,191
— Cash and cash equivalents (Note 23) . . . . .	17,634	1,410,880	2,182,777
— Restricted cash (Note 23) . . . . .	—	—	8,800
	<u>125,647</u>	<u>1,659,573</u>	<u>2,327,059</u>
	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>Liabilities as per combined statements of financial position</b>			
Financial liabilities at fair value through profit or loss:			
— Financial instruments with preferred rights (Note 24) . . . . .	171,245	2,341,868	3,373,353
Financial liabilities at amortized cost:			
— Accounts payables (Note 26) . . . . .	9,980	622,798	625,897
— Other payables and accruals (excluding salaries and welfare payables and other tax payable) (Note 27) . . . . .	1,821	1,056	9,518
— Borrowings (Note 25) . . . . .	—	14,090	14,090
	<u>183,046</u>	<u>2,979,812</u>	<u>4,022,858</u>

## 20. Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
— to be recovered after more than 12 months . . . . .	4,713	8,775	1,320
— to be recovered within 12 months . . . . .	—	—	—
	<u>4,713</u>	<u>8,775</u>	<u>1,320</u>
Deferred tax liabilities:			
— to be recovered after more than 12 months . . . . .	—	—	(1,167)
— to be recovered within 12 months . . . . .	—	—	(583)
	<u>—</u>	<u>—</u>	<u>(1,750)</u>
Deferred income tax assets/(liabilities) (net) . . . . .	<u>4,713</u>	<u>8,775</u>	<u>(430)</u>

The movements in deferred income tax assets during the year is as follows:

	Advertising	Other accrued	Legal claim	Total
	expenses	expenses	provision	
	RMB'000	RMB'000	RMB'000	RMB'000
As of March 31, 2015 (date of incorporation of the Listing Business) . . . . .	—	—	—	—
Recognized in the profit or loss . . . . .	<u>691</u>	<u>4,022</u>	<u>—</u>	<u>4,713</u>
As of December 31, 2015 . . . . .	<u>691</u>	<u>4,022</u>	<u>—</u>	<u>4,713</u>
As of January 1, 2016				
Credited/(charged) to the income statement . . . . .	<u>8,084</u>	<u>(4,022)</u>	<u>—</u>	<u>4,062</u>
As of December 31, 2016 . . . . .	<u>8,775</u>	<u>—</u>	<u>—</u>	<u>8,775</u>
As of January 1, 2017				
Charged/(credited) to the income statement . . . . .	<u>(8,775)</u>	<u>—</u>	<u>1,320</u>	<u>(7,455)</u>
As of December 31, 2017 . . . . .	<u>—</u>	<u>—</u>	<u>1,320</u>	<u>1,320</u>

Deferred income tax assets are recognized for deductible temporary differences to the extent that realization of the related tax benefits through the future taxable profits is probable.

The movements in deferred income tax liabilities during the year is as follows:

	<b>Intangible assets acquired in business combination</b>
	<b>RMB'000</b>
As of March 31, 2015, January 1, 2016 and 2017 . . . . .	—
Business Combination (Note 34) . . . . .	<u>1,750</u>
As of December 31, 2017 . . . . .	<u>1,750</u>

## 21. Accounts receivables

	<b>As of December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Accounts receivables . . . . .	3,102	40,078	42,861
Less: allowance for impairment of accounts receivables . . . . .	—	—	—
	<u>3,102</u>	<u>40,078</u>	<u>42,861</u>

- (a) Majority of the Group's debtors are granted with credit periods ranged from 1 to 3 months. An aging analysis of accounts receivables based on invoice date is as follows:

	<b>As of December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Accounts receivables			
— Up to 3 months . . . . .	3,102	33,832	36,104
— 3 to 6 months . . . . .	—	5,422	2,540
— 6 months to 1 year . . . . .	—	824	4,217
	<u>3,102</u>	<u>40,078</u>	<u>42,861</u>

As of December 31, 2015, 2016 and 2017, the carrying amounts of accounts receivables are primarily denominated in RMB and approximate to their fair values at each of the reporting dates.



- (b) As of December 31, 2015, 2016 and 2017, accounts receivables of nil, RMB 6,246,000 and RMB 14,357,000 were past due but not impaired. These relate to online payment platforms for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these accounts receivables is as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Accounts receivables			
— Up to 3 months . . . . .	—	—	7,600
— 3 to 6 months . . . . .	—	5,422	2,540
— 6 months to 1 year . . . . .	—	824	4,217
	<u>—</u>	<u>6,246</u>	<u>14,357</u>

## 22. Other receivables, prepayments, deposits and other assets

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>Non-current:</b>			
Rental and other deposits . . . . .	—	5,435	5,435
Prepayments for acquisition of Hunan Tiantianxiangshang (Note a) . . . . .	—	18,000	—
Prepayments for investments (Note 18) . . . . .	—	105,000	—
	<u>—</u>	<u>128,435</u>	<u>5,435</u>
<b>Current:</b>			
Amounts due from investors (Note b)			
— From a related party (Note 36.b) . . . . .	48,000	—	—
— From independent third parties . . . . .	9,711	143,307	—
Amounts due from third parties			
— Refund from an investment (Note c) . . . . .	—	—	16,000
— Arising from disposal of financial assets at fair value through profit and loss (Note 18.a.i) . . . . .	—	—	16,186
Prepayments for promotion and advertising . . . . .	314	39,786	5,978
Prepayment to suppliers . . . . .	566	15,861	13,559
Amounts due from Ms. Liao . . . . .	—	8,826	—
Amounts due from Founders (Note 36.b) . . . . .	1,683	583	—
Other deposits . . . . .	27	14,925	8,020
Deductible input VAT . . . . .	—	—	34,549
Others . . . . .	490	3,837	6,550
	<u>60,791</u>	<u>227,125</u>	<u>100,842</u>

*Notes:*

- (a) The balance represents the prepayments to acquire Hunan Tiantianxiangshang which was completed in July 2017 (Note 16.a).
- (b) The balances represent amounts due from investors arising from several rounds of financing made in Beijing Meelive in 2015 and 2016 (Note 24).
- (c) The balance represents the cash advanced for certain investments which was not successful and the investment amounts shall be refunded back to the Group. Such balance had been received in January 2018.

**23. Cash and bank balances***(a) Cash and cash equivalents*

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash at bank (all denominated in RMB) . . . . .	<u>17,634</u>	<u>1,410,880</u>	<u>2,182,777</u>

As of December 31, 2015, 2016 and 2017, RMB 12,287,000, RMB 91,725,000 and RMB 81,863,000 of the above cash and cash equivalents are deposited at certain online payment platforms.

*(b) Restricted cash*

As of December 31, 2017, bank balance of RMB 8,800,000 was restricted as security as a result of a legal proceeding outcome (Note 29).

**24. Financial instruments with preferred rights**

Since the date of incorporation of Beijing Meelive, it has completed five rounds of financing in 2015 and 2016 by issuing certain common stock with preferred rights (“Preferred Shares”) which are designated as “financial instruments with preferred rights” and stated at fair value at period/year end. Details are as follows:

- (a) On September 22, 2015, November 9, 2015 and December 19, 2015, Beijing Meelive entered into capital increase agreements with an investor (“Angel Round Investor”) and pursuant to which the Angel Round Investor subscribed for a total of RMB 208,300 in the registered capital of Beijing Meelive with total consideration of RMB5,000,000.
- (b) On October 26, 2015 and November 9, 2015, Beijing Meelive entered into capital increase agreements with certain investors (“Series A Investors”) and pursuant to which Series A Investors subscribed for a total of RMB 208,400 in the registered capital of Beijing Meelive with total consideration of RMB25,000,000.
- (c) On December 24, 2015, Beijing Meelive entered into a capital increase agreement with certain investors (“Series A+ Investors”) and pursuant to which Series A+ Investors subscribed for a total of RMB259,075 in the registered capital of Beijing Meelive with total consideration of RMB77,710,400.

- (d) Prior to December 24, 2015, Suzhou Zihui Juxin Investment Center (Limited Partnership) (蘇州紫輝聚鑫投資中心 (有限合夥)) (“Zihui Juxin”) owned RMB50,363 in the registered capital of Beijing Meelive. On December 24, 2015, Zihui Juxin obtained liquidation rights in its interests in Beijing Meelive, and accordingly, all the equity interests owned by Zihui Juxin were re-designated from common stock to Preferred Shares.
- (e) On January 2, 2016 and February 1, 2016, Beijing Meelive entered into a capital increase agreement with an investor (“Series A++ Investor”) and pursuant to which Series A++ Investors subscribed for a total of RMB12,718 in the registered capital of Beijing Meelive with total consideration of RMB3,814,785.
- (f) On September 19, 2016, Beijing Meelive entered into a capital increase agreement with certain investors (“Series B Investors”) and pursuant to which Series B Investors subscribed for a total of RMB134,454 in the registered capital of Beijing Meelive with total consideration of RMB310,000,000.

The key preferred rights of the above Preferred Shares are summarized as follows:

**(a) *Anti-dilution right***

Beijing Meelive granted anti-dilution rights to the holders of the Preferred Shares (the “PS Investors”), pursuant to which Beijing Meelive agreed that, should Beijing Meelive subsequently issue equity interests to new investors at a price lower than the initial investments paid by the PS Investors, Beijing Meelive will issue to the PS Investors or the Founders will transfer to the Investors additional equity interests based on a prescribed mechanism at a nominal or no consideration according to the respective investment agreements.

**(b) *Liquidation preferences***

In the event of (i) any liquidation, dissolution or winding up of Beijing Meelive, (ii) any sale of all or substantially all of Beijing Meelive’s assets, or any sale or exclusive licensing of all or substantially all of Beijing Meelive’s intellectual property assets (collectively “Sale of Assets”); and (iii) any reorganization, consolidation, merger, sale or transfer of Beijing Meelive’s equity interests or similar transaction or series of related transactions that resulted in the existing members of Beijing Meelive do not retain a majority of the voting power in the surviving company or companies occurs, before any distribution or payment shall be made to the holders of any ordinary equity interests, the Series B’s investors will have first priority over any unpaid dividends arising from the equity interests in Beijing Meelive pursuant to the Series B capital increase agreement (on a pro-rata basis should there not be enough assets remaining). If there are still any remaining assets, Series A+ and A++’s investors have next priority based on the equity interests in Beijing Meelive obtained under the capital increase agreements. Series A’s investors and Zihui Juxin then have the next priority based on the equity interests in Beijing Meelive obtained under the Series A capital increase agreement. Angel Round’s investor then have the next priority from its equity interest of Beijing Meelive obtained under the Angel Round capital increase agreement.

Movements of financial instruments with preferred rights during the Track Record Period are:

	RMB'000
At March 31, 2015	—
Issuance of Angel Round financial instruments with preferred rights	5,000
Issuance of Series A financial instruments with preferred rights	25,000
Issuance of Series A+ financial instruments with preferred rights	77,711
Re-designated Zihui Juxin's common stock to financial instrument with preferred rights	12,658
Changes in fair value	<u>50,876</u>
At December 31, 2015	<u>171,245</u>
Total unrealized loss and change in fair value for the period included in "Fair value loss of financial instruments with preferred rights"	<u>50,876</u>
At January 1, 2016	171,245
Issuance of Series A++ financial instruments with preferred rights	3,814
Issuance of Series B financial instruments with preferred rights	310,000
Changes in fair value	<u>1,856,809</u>
At December 31, 2016	<u>2,341,868</u>
Total unrealized loss and change in fair value for the year included in "Fair value loss of financial instruments with preferred rights"	<u>1,856,809</u>
At January 1, 2017	2,341,868
Changes in fair value	<u>1,031,485</u>
At December 31, 2017	<u>3,373,353</u>
Total unrealized loss and change in fair value for the year included in "Fair value loss of financial instruments with preferred rights"	<u>1,031,485</u>

The directors have used the discounted cash flow method to determine the underlying share value of Beijing Meelive and adopted equity allocation model to determine the fair value of the financial instruments with preferred rights as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of the financial instruments with preferred rights are as follows:

	<u>As of December 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Discount rate	22.00%	19.00%	19.00%
Risk-free interest rate	2.89%	2.33%	2.75%
Volatility	<u>58.87%</u>	<u>55.79%</u>	<u>46.34%</u>

The risk-free interest rate was based on the yield of China government bonds as of the valuation date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable

companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, Beijing Meelive's projections of future performance were also factored into the determination of the fair value of financial instruments with preferred rights on each valuation date.

Changes in fair value of financial instruments with preferred rights were recorded in "fair value loss of financial instruments with preferred rights." Management considered that fair value changes in the financial instruments with preferred rights that are attributable to changes of credit risk of this liability are not significant.

Pursuant to a written agreement entered into between the Company, Beijing Meelive, and the shareholders of Beijing Meelive dated February 13, 2018, the preferred rights attached to the Preferred Shares have been conditionally terminated. In the event that the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited does not take place by December 31, 2019, the investors still have the right to reinstate any of the preferred rights.

## 25. Borrowings

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current . . . . .	—	—	14,090
Non-current . . . . .	—	14,090	—
	<u>—</u>	<u>14,090</u>	<u>14,090</u>

In April 2016, the Group obtained an unsecured loan of RMB14,090,000 from certain independent third parties at an interest rate of 6.0% per annum with maturity of twenty four months.

## 26. Accounts payables

Aging analysis of the accounts payables at the end of each reporting period are as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
— Up to 3 months . . . . .	9,973	442,717	329,889
— 3 to 6 months . . . . .	7	74,459	37,545
— 6 months to 1 year . . . . .	—	102,634	31,869
— 1 to 2 years . . . . .	—	2,988	226,594
	<u>9,980</u>	<u>622,798</u>	<u>625,897</u>

**27. Other payables and accruals**

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Other taxes payable . . . . .	2,903	59,299	55,697
Salaries and welfare payables . . . . .	1,050	22,154	47,819
Amounts due to a related party (Note 36) . . . . .	—	—	3,340
Deposits from customers . . . . .	1,657	—	2,600
Interests payable . . . . .	—	633	1,480
Others . . . . .	164	423	2,098
	<u>5,774</u>	<u>82,509</u>	<u>113,034</u>

**28. Deferred revenue**

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Deferred government grants . . . . .	—	—	18,130
Deferred revenue <sup>(a)</sup> . . . . .	929	67,443	85,467
	<u>929</u>	<u>67,443</u>	<u>103,597</u>

*Note:*

- (a) Deferred revenue represents prepayments received from users in the form of the Group's virtual currency not yet converted into virtual items as of December 31, 2015, 2016 and 2017.

**29. Provisions**

	Legal claim
	RMB'000
<b>Balance as of December 31, 2015 and 2016</b> . . . . .	—
Additional provision (Note 23.b) . . . . .	8,800
<b>Balance at December 31, 2017</b> . . . . .	<u>8,800</u>

In July 2017, the Group was involved in a legal proceeding as a defendant for which the Group has made a provision of RMB 8,800,000 due to the uncertainty of the outcome. The court has also demanded to restrict the Group's bank balance of RMB 8,800,000 in respect of this claim (see Note 23).

In addition to the above legal proceeding, as at December 31, 2015, 2016 and 2017, the Group has no major pending litigation as the defendant.

**30. Share capital and share premium**

The Company was incorporated on November 24, 2017 with an authorized share capital of US\$50,000 divided into 50,000,000 ordinary shares of US\$0.001 each.

As of December 31, 2017, 1 ordinary share of US\$0.001 each was issued, totalling US\$0.001 to Fantastic Live Holdings Limited which is controlled by Mr. Feng.

On February 13, 2018, the Company allotted and issued 1,713,223 shares of US\$0.001 each at par to the offshore holding vehicles of the investors of Beijing Meelive in proportion to their respective shareholding interest in Beijing Meelive.

Pursuant to a shareholders' resolution passed on June 23, 2018, conditional on the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, the following changes in the share capital of the Company will take place.

(a) The authorized share capital of the Company will be increased from US\$50,000 to US\$50,000,000 by the creation of an additional 49,950,000,000 shares with a nominal value of US\$0.001 each.

(b) Subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of shares pursuant to the global offering, the directors of the Company were authorized to allot and issue a total of 1,711,510,776 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on the date immediately preceding the date on which the global offering becoming unconditional (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of US\$1,711,511 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

**31. Other reserves**

	<b>Capital reserve</b>	<b>Currency translation differences</b>	<b>Total</b>
	<b>RMB'000</b>	<b>(Note b)</b>	<b>RMB'000</b>
At March 31, 2015 . . . . .	—	—	—
Capital injection . . . . .	583	—	583
Transaction with an owner (Note a) . . . . .	(12,658)	—	(12,658)
As of December 31, 2015 . . . . .	<u>(12,075)</u>	<u>—</u>	<u>(12,075)</u>
As of January 1, 2016 . . . . .	(12,075)	—	(12,075)
Capital injection . . . . .	307	—	307
Currency translation differences . . . . .	—	364	364
Share-based compensation expense . . . . .	178,514	—	178,514
As of December 31, 2016 . . . . .	<u>166,746</u>	<u>364</u>	<u>167,110</u>
As of January 1, 2017 . . . . .	166,746	364	167,110
Currency translation differences . . . . .	—	(686)	(686)
As of December 31, 2017 . . . . .	<u>166,746</u>	<u>(322)</u>	<u>166,424</u>

(a) Transaction with an owner

Prior to December 24, 2015, Zihui Juxin owned 5.17% issued capital of Beijing Meelive. On December 24, 2015, Zihui Juxin obtained liquidation rights in its interests in Beijing Meelive, and accordingly, all the equity interests owned by Zihui Juxin were re-designated from common stock to financial instrument with preferred rights which is measured at fair value. Balance of RMB12,658,000 represented the difference between the fair value of this financial instrument and original carrying value on the date of re-designation.

(b) Currency translation differences

Foreign currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(c) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in China, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made.

With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

As of December 31, 2015, 2016 and 2017, the Company is under accumulated losses, therefore no statutory surplus reserve funds and the discretionary reserve funds have been appropriated.

### 32. Share-based payments

The establishment of the share-based payments plan ("Plan") was approved by owners of Beijing Meelive in its shareholders' meeting in February 3, 2016 to the extent of 19.44% new equity interests of Beijing Meelive



before Reorganization mentioned in Note 1(b). The Plan was designed to provide long-term incentives for senior management and above to deliver long-term shareholders' returns. Under the Plan, participants were granted equity interests, which had no vesting condition. Participation in the Plan is at the board's discretion. The fair value of the awarded equity interests was estimated based on the fair value of Beijing Meelive at the grant date.

The Group has used the discounted cash flow method to determine the fair value of Beijing Meelive and adopted equity allocation model to determine the fair value of the underlying equity interests granted. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Group with best estimate.

Key assumptions used to determine the fair value of underlying equity interests at the grant date, namely February 3, 2016 are as follows:

Discount rate	21.00%
Risk-free interest rate	2.89%
Volatility	59.20%

### 33. Commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
No later than 1 year . . . . .	758	16,705	20,652
Later than 1 year and no later than 5 years . . . . .	—	46,168	21,738
	<u>758</u>	<u>62,873</u>	<u>42,390</u>

### 34. Business combination

On November 29, 2017, the Group acquired 80% equity interest from certain independent third parties in Haomei Information, an entity engaging in the game development business in China ("Haomei Information Acquisition").

The goodwill of approximately RMB 14,147,000 arising from Haomei Information Acquisition is attributable to the acquired mobile game research and development capabilities, and the diversification of the entertainment business development expected to be derived from combining with the operations of the Group.

None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the consideration paid for Haomei Information Acquisition, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	<b>RMB'000</b>
Consideration — cash consideration . . . . .	<b><u>16,000</u></b>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment . . . . .	213
Intangible assets . . . . .	7,036
Other receivables, prepayments, deposits and other assets . . . . .	191
Accounts receivables . . . . .	64
Cash and cash equivalents . . . . .	601
Accounts payables . . . . .	(267)
Other payables and accruals . . . . .	(3,772)
Deferred tax liabilities . . . . .	<u>(1,750)</u>
Total identifiable net assets . . . . .	2,316
Non-controlling interests . . . . .	(463)
Goodwill . . . . .	<u>14,147</u>
	<b><u>16,000</u></b>

## 35. Note to combined statements of cash flows

	Period from March 31, 2015 to December 31,		
	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>Loss before income tax</b> . . . . .	(48,961)	(1,362,548)	(151,214)
<b>Adjustments for:</b>			
— Depreciation of property, plant and equipment (Note 15) . . . . .	9	630	9,463
— Amortization of intangible assets (Note 16) . . . . .	—	1,898	8,524
— Finance income — net (Note 11) . . . . .	(12)	(3,301)	(10,599)
— Fair value gain of financial assets at fair value through profit or loss (Note 9) . . . . .	—	(6,238)	(54,509)
— Share of loss of investments accounted for using the equity method . . . . .	—	2,941	1,510
— Amortization of deferred government grant (Note 10) . . . . .	—	—	(3,520)
— Fair value loss of financial instruments with preferred rights . . . . .	50,876	1,856,809	1,031,485
— Share-based compensations (Note 8) . . . . .	—	178,514	—
<b>Changes in working capital:</b>			
— Inventories . . . . .	—	—	(107)
— Accounts receivables . . . . .	(3,102)	(36,976)	(2,719)
— Other receivables, prepayments, deposits and other assets . . . . .	(1,397)	(87,273)	14,770
— Restricted cash . . . . .	—	—	(8,800)
— Accounts payables . . . . .	9,980	626,908	2,832
— Deferred revenue . . . . .	929	66,514	18,024
— Provision for accrued liabilities . . . . .	—	—	8,800
— Accruals and other payables . . . . .	5,774	76,102	25,906
<b>Cash generated from operations</b> . . . . .	<u>14,096</u>	<u>1,313,980</u>	<u>889,846</u>

The reconciliation of liabilities arising from financing activities is as follows:

	Financial instruments with preferred rights	Borrowings (Note a)	Total
	RMB'000	RMB'000	RMB'000
<b>As of March 31, 2015</b> .....	—	—	—
Cash flows .....	50,000	—	50,000
Non-cash transactions .....	<u>121,245</u>	<u>—</u>	<u>121,245</u>
<b>As of December 31, 2015</b> .....	<u>171,245</u>	<u>—</u>	<u>171,245</u>
<b>As of January 1, 2016</b> .....	171,245	—	171,245
Cash flows .....	228,525	—	228,525
Non-cash transactions .....	<u>1,942,098</u>	<u>14,724</u>	<u>1,956,822</u>
<b>As of December 31, 2016</b> .....	<u>2,341,868</u>	<u>14,724</u>	<u>2,356,592</u>
<b>As of January 1, 2017</b> .....	2,341,868	14,724	2,356,592
Cash flows .....	143,000	—	143,000
Non-cash transactions .....	<u>888,485</u>	<u>847</u>	<u>889,332</u>
<b>As of December 31, 2017</b> .....	<u>3,373,353</u>	<u>15,571</u>	<u>3,388,924</u>

Note:

(a) This non-cash transaction was resulted from direct payment of the borrowings from the lenders to the Group's streamers.

### 36. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are under common control or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

Names of the major related parties	Nature of relationship
Mr. Feng .....	Founder of the Group
Ms. Liao .....	Founder of the Group
Mr. Hou .....	Founder of the Group
Beijing Kunlun Tech Co., Ltd. (北京昆侖萬維科技股份有 限公司) ("Beijing Kunlun") .....	Significant influence over Beijing Meelive
Beijing Duomi Online Technology Co., Ltd. (北京多米 在線科技股份有限公司) (previously known as Beijing Caiyun Zaixian Technology Development Co., Ltd. (北京彩雲在線技術開發有限公司) ("Duomi Online")) .....	Significant influence over Beijing Meelive

Names of the major related parties	Nature of relationship
Beijing Laoyou Duozhi Internet Information Service Co., Ltd. (北京老柚多汁互聯網信息服務有限公司) (“Beijing Laoyou Duozhi”) . . . . .	Significant influenced by the Group
Beijing Yingtianxia Network Technology Co., Ltd.(北京映天下網絡科技有限公司) (“Beijing Yingtianxia”) . . . . .	A joint venture of the Group

The following transactions were carried out with related parties:

(a) *Significant transactions with related parties*

	Period from March 31, 2015 to December 31,		
	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Management service revenue provided to Duomi Online . . . . .	1,540	—	—
Advertisement revenue generated from Beijing Yingtianxia . . . . .	—	—	2,877
Promotion expense paid to Beijing Yingtianxia . . . . .	—	—	292

(b) *Balances with related parties*

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Investments amounts due from Beijing Kunlun . . . . .	48,000	—	—
Amounts due from Founders . . . . .	1,683	583	—
Other receivables from related parties			
— Ms. Liao . . . . .	—	8,826	—
— Duomi Online . . . . .	—	1,062	1,373
	—	9,888	1,373
Accounts receivables from related parties . . . . .			
— Duomi Online . . . . .	1,634	—	—
— Beijing Yingtianxia . . . . .	—	—	1,050
	1,634	—	1,050
Other payables to related parties . . . . .			
— Beijing Laoyou Duozhi . . . . .	—	—	3,340
— Duomi Online . . . . .	1,657	—	15
	1,657	—	3,355

The accounts receivables due from related parties were trade in nature and other balances with related parties were non-trade in nature.

All the balances with related parties were unsecured, interest-free and short-term in nature.

### 37. Benefits and interests of directors

#### (a) Directors' emoluments

The remuneration of every director and the chief executive officer for the period/years ended December 31, 2015, 2016 and 2017 were set out below:

	Note	Fees	Salaries	Discretionary bonuses	Pension scheme and other security benefits	Other benefits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the period ended December 31, 2015							
<b>Executive directors</b>							
Mr. Feng . . . . .	(a)	—	80	30	19	—	129
Mr. Hou . . . . .	(b)	—	80	25	19	—	124
Ms. Liao . . . . .	(b)	—	80	40	19	—	139
<b>Non-executive directors</b>							
Mr. Liu Xiaosong . . . . .	(b)	—	—	—	—	—	—
Mr. David Cui . . . . .	(c)	—	—	—	—	—	—
Mr. Du Yongbo . . . . .	(c)	—	—	—	—	—	—
Mr. Li Hui . . . . .	(c)	—	—	—	—	—	—
		<u>—</u>	<u>240</u>	<u>95</u>	<u>57</u>	<u>—</u>	<u>392</u>
For the year ended December 31, 2016							
<b>Executive directors</b>							
Mr. Feng . . . . .	(a)	—	419	420	69	—	908
Mr. Hou . . . . .	(b)	—	415	420	84	49,454	50,373
Ms. Liao . . . . .	(b)	—	415	420	84	45,502	46,421
<b>Non-executive directors</b>							
Mr. Liu Xiaosong . . . . .	(b)	—	—	—	—	—	—
Mr. David Cui . . . . .	(c)	—	—	—	—	—	—
Mr. Du Yongbo . . . . .	(c)	—	—	—	—	—	—
Mr. Li Hui . . . . .	(c)	—	—	—	—	—	—
		<u>—</u>	<u>1,249</u>	<u>1,260</u>	<u>237</u>	<u>94,956</u>	<u>97,702</u>

	Note	Fees	Salaries	Discretionary bonuses	Pension scheme and other security benefits	Other benefits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2017							
<b>Executive directors</b>							
Mr. Feng . . . . .	(a)	—	516	960	114	—	1,590
Mr. Hou . . . . .	(b)	—	516	960	114	—	1,590
Ms. Liao . . . . .	(b)	—	516	960	114	—	1,590
<b>Non-executive directors</b>							
Mr. Liu Xiaosong . . . . .	(b)	—	—	—	—	—	—
Mr. David Cui . . . . .	(c)	—	—	—	—	—	—
Mr. Du Yongbo . . . . .	(c)	—	—	—	—	—	—
Mr. Li Hui . . . . .	(c)	—	—	—	—	—	—
		—	1,548	2,880	342	—	4,770

*Note:*

- (a) Mr. Feng was appointed as a director of the Company on November 24, 2017. The amounts presented above represent the salaries bonus, allowance, and other benefits paid during the Track Record Period.
- (b) Mr. Hou, Mr. Liu and Ms. Liao were appointed as directors of the Company on March 9, 2018. The amounts presented above represent the salaries, bonus, allowance, and other benefits paid during the Track Record Period.
- (c) Mr. David Cui, Mr. Du Yongbo and Mr. Li Hui were appointed on June 23, 2018.

No directors waived or agreed to waive any emoluments during the Track Record Period. No emoluments were paid to directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

**(b) Director's material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

**38. Contingencies**

The Group did not have any material contingent liabilities as of December 31, 2015, 2016 and 2017.

**39. Subsequent Events**

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Company or by the Group after December 31, 2017.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any companies now comprising the Group in respect of any period subsequent to December 31, 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2017.



The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set out in Appendix I, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountant's Report set out in Appendix I.

## I. UNAUDITED PRO FORMA FINANCIAL INFORMATION

### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the combined net tangible assets attributable to the equity holders of the Company as at December 31, 2017 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Global Offering been completed as at December 31, 2017 or at any future dates.

	Unadjusted audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 <sup>(1)</sup>		Estimated impact related to the change of terms of financial instruments with preferred rights upon Listing <sup>(3)</sup>		Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company		Unaudited pro forma adjusted net tangible assets per Share <sup>(4)(5)</sup>	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$	
Based on an Offer Price of HK\$3.47 per Offer Share, after a Downward Offer Price Adjustment of 10% . . .	(1,652,092)	767,768	3,373,353	2,489,029	1.23	1.51		
Based on an Offer Price of HK\$3.85 per Offer Share . . . . .	(1,652,092)	859,051	3,373,353	2,580,312	1.28	1.56		
Based on an Offer Price of HK\$5.00 per Offer Share . . .	(1,652,092)	1,135,347	3,373,353	2,856,608	1.42	1.73		

*Notes:*

- (1) The unadjusted audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 of approximately RMB 1,589,530,000 with an adjustment for the intangible assets as at December 31, 2017 of approximately RMB 62,562,000.

- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$3.85 and HK\$5.00 per Share, respectively, and also based on an Offer Price of HK\$3.47 per Offer Share after making a Download Offer Price Adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by the Company, and does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of the options which may be granted under the Share Option Scheme, any Share which may be issued under the RSU Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.
- (3) Upon Listing and pursuant to the Termination Agreement dated February 13, 2018, all the preferred rights attached to the preferred shares held by the Employee Shareholding Platforms and the Investors will be unconditionally terminated. Upon the termination of these preferred rights, these preferred shares held by the Employee Shareholding Platforms and the Investors will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company will be increased by RMB3,373,353,000, being the carrying amounts of the financial instruments with preferred rights as of December 31, 2017.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,015,564,000 Shares were in issue assuming that the Global Offering and Capitalization Issue have been completed on December 31, 2017 but does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or upon exercise of the options which may be granted under the Share Option Scheme, any Shares which may be issued under the RSU Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2206. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2017.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Inke Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Inke Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 28, 2018, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2017 as if the proposed initial public offering had taken place at December 31, 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended December 31, 2017, on which an accountant's report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, June 28, 2018

*This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V, a copy of the Memorandum and Articles of Association is available for inspection.*

## **SUMMARY OF THE CONSTITUTION OF THE COMPANY**

### **1. Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on June 23, 2018 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents available for inspection”.

### **2. Articles of Association**

The Articles of Association of the Company were conditionally adopted on June 23, 2018 and include provisions to the following effect:

#### **2.1 Classes of Shares**

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$50,000,000 divided into 50,000,000,000 shares of US\$0.001 each.

#### **2.2 Directors**

##### *(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject

to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a

member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
  - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and



- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

*(g) Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of

Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(i) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

*(j) Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### ***2.3 Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

### ***2.4 Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### **2.5 *Alteration of capital***

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Law; and
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

**2.6 *Special resolution — majority required***

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

**2.7 *Voting rights***

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being

due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### **2.8 *Annual general meetings***

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

### **2.9 *Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a

Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

#### ***2.10 Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

#### ***2.11 Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (i) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of shares;
- (iii) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (iv) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (v) the shares concerned are free of any lien in favor of the Company; and
- (vi) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

### ***2.12 Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company



subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

### ***2.13 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

### ***2.14 Dividends and other methods of distribution***

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to

receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

### **2.15 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

#### ***2.16 Calls on shares and forfeiture of shares***

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof

to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

### ***2.17 Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company

without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

### ***2.18 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

### ***2.19 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

### ***2.20 Procedure on liquidation***

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company

in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### **2.21 *Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## **SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**

### **1. Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **2. Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 24, 2017 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

### 3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (iv) writing-off the preliminary expenses of the company;
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any



redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4. Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits, and a dividend can be paid provided there is a profit on the current financial year under review, without the requirement to make good losses from a prior financial year. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

#### **5. Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

#### **6. Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.



Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

#### **7. Disposal of Assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

#### **8. Accounting and Auditing Requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (ii) all sales and purchases of goods by the company; and
- (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

#### **9. Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

#### **10. Inspection of Books and Records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**11. Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

**12. Subsidiary Owning Shares in Parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

**13. Mergers and Consolidations**

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

**14. Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present

at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

#### **15. Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

#### **16. Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

#### **17. Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

#### **18. Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**19. Taxation**

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (ii) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (a) on or in respect of the shares, debentures or other obligations of the Company; or
  - (b) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

**20. Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**21. General**

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on November 24, 2017. We have established a principal place of business in Hong Kong at 18/F, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Wong Yu Kit has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our operations is subject to the Cayman Companies Law and to the Memorandum and Articles of Association. A summary of the certain aspects of the Cayman Islands company law and a summary of certain provisions of the Memorandum and Articles of Association is set out in "Summary of the Constitution of Our Company and Cayman Companies Law" in Appendix III to this prospectus.

**2. Changes in the Share Capital of Our Company**

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$50,000.00, divided into 50,000,000 shares of US\$0.001 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On November 24, 2017, one Share was allotted and issued at par, credited as fully paid, to the initial subscriber and such Share was transferred at par to Fantastic Live Holdings Limited on the same date.
- On February 13, 2018, we allotted and issued a total of 1,713,223 Shares to the offshore holding vehicles of each of our Founders, the Employee Shareholding Platforms and our Investors in proportion to their respective shareholding interest in Beijing Meelive at par value.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

In addition, the following change in the share capital of our Company will take place after the date of this prospectus:

- The authorized share capital of our Company will be increased from US\$50,000 to US\$50,000,000 by the creation of an additional 49,950,000,000 Shares with a nominal value of US\$0.001 each with effect from the Listing Date.
- Assuming that the Global Offering becomes unconditional, immediately following the completion of the Capitalization Issue and the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be US\$2,015,564, divided into 2,015,564,000 Shares of US\$0.001 each, all fully paid or credited as fully paid and 47,984,436,000 Shares of US\$0.001 each will remain unissued.

**3. Resolutions in Writing of the Shareholders of Our Company Passed on June 23, 2018**

Pursuant to the written resolutions passed by the Shareholders on June 23, 2018:

- (a) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the authorized share capital of our Company be increased to US\$50,000,000 divided into 50,000,000,000 Shares with par value of US\$0.001 each;
  - (ii) approved and adopted the Memorandum and Articles of Association which will come into effect upon Listing;
  - (iii) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
  - (iv) the granting of the Over-allotment Option was approved;
  - (v) the proposed Listing was approved and our Directors were authorized to implement the Listing;
  - (vi) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue a total of 1,711,510,776 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of US\$1,711,510.78 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;
- (b) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of options which

- may be granted under the Share Option Scheme, (d) the Shares which may be issued under the RSU Scheme or (e) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (f) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (c) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);
- (c) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme), such mandate to remain in effect during the Applicable Period; and
- (d) the general unconditional mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (c) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company’s share capital in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme);
- (e) the rules of the Share Option Scheme, the principal terms of which are set forth in “D. Share Incentive Schemes — 1. Share Option Scheme” in this Appendix, were approved and adopted conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and (2) the commencement of trading of the Shares on the Stock Exchange, and our Directors or remuneration committee of the Board or any Directors or sub-committee of Directors so

established by the remuneration committee were authorized to grant options to subscriber for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and

- (f) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares underlying the RSUs which may fall to be issued pursuant to the RSU Scheme and (2) the commencement of trading of the Shares on the Stock Exchange, the principal terms of which are set forth in “D. Share Incentive Schemes — 2. RSU Scheme” in this Appendix, the Board or any committee thereof was authorized to grant RSUs pursuant to the RSU Scheme and to allot and issue Shares, procure the transfer of, and otherwise deal with Shares in connection with the RSU Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the RSU Scheme.

#### **4. Our Corporate Reorganization**

The companies comprising the Group underwent the Reorganization in preparation for the Listing. Please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus for further details.

#### **5. Changes in the Share Capital of Our Subsidiaries**

Our subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountant’s Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

**(a) *Beijing Inke***

On July 5, 2016, Beijing Inke was established in China as a limited liability company with a registered capital of RMB5,000,000, which is held as to 100% by Beijing Meelive. As of the Latest Practicable Date, RMB500,000 of the total registered capital has been fully paid up.

**(b) *Beijing Meelive***

On June 21, 2016, the registered capital of Beijing Meelive increased from RMB1,271,793 to RMB1,578,770, where Inke Changqing, Inke Huanzhong and Inke Yuanda subscribed for RMB133,485, RMB86,746 and RMB86,746 of the registered capital in Beijing Meelive each at par, respectively.



On September 19, 2016, the registered capital of Beijing Meelive increased from RMB1,578,770 to RMB1,713,224, where Jiaxing Guangmei, Ningbo Anhe, Ningbo Qingzheng, Jiaxing Guanglian, Shenzhen Tencent, Mango Wenchuang and Zihui Juxin subscribed for RMB34,698, RMB21,686, RMB21,686, RMB18,650, RMB15,614, RMB15,614 and RMB6,506 of the registered capital in Beijing Meelive for cash consideration of RMB80,000,000, RMB50,000,000, RMB50,000,000, RMB43,000,000, RMB36,000,000, RMB36,000,000 and RMB15,000,000, respectively.

**(c) Haomei Information**

On November 29, 2017, Beijing Meelive acquired 80% of the equity interest in Haomei Information, whereby each of Tan Xing (譚星), Tan Yan (譚炎), Pingxiang Hongmei Business Consulting Center (Limited Partnership) (萍鄉紅美商務諮詢中心 (有限合夥)) respectively transferred RMB5,000,000, RMB1,500,000 and RMB1,500,000 of their equity interest then held in Haomei Information, representing 50%, 15% and 15% of the total registered capital in Haomei Information to Beijing Meelive for an aggregate consideration of RMB16,000,000.

**(d) Hunan Anyue**

On September 20, 2016, Hunan Anyue was established in the PRC as a limited liability company with a registered capital of RMB10,000,000, which had been fully paid up by Hunan Inke. Hunan Inke transferred its entire equity interest in Hunan Anyue to Hunan Tiantianxiangsheng in March 19, 2018.

**(e) Hunan Enjoy**

On April 18, 2017, Hunan Enjoy was established in China as a limited liability company with a registered capital of RMB15,000,000, which was held as to RMB9,000,000 by Mr. Feng, RMB3,000,000 by Ms. Liao and RMB3,000,000 by Mr. Hou. On July 19, 2017, Mr. Feng, Ms. Liao and Mr. Hou transferred all their equity interests (100%) in Hunan Enjoy to Beijing Meelive, for a total cash consideration of RMB1 and the registered capital of Hunan Enjoy was fully paid by Beijing Meelive.

**(f) Hunan Tiantianxiangshang**

On July 12, 2017, Hunan Enjoy acquired the entire shareholding interest in Hunan Tiantianxiangshang, whereby Zhang Zhiping (張治平), Tan Rui (譚睿), Huang Ping (黃萍) and Hunan Tuowei Education Development Co., Ltd. (湖南拓維教育發展有限公司) transferred RMB232,750, RMB2,740,167, RMB3,028,708 and RMB7,569,803 of the registered capital in Hunan Tiantianxiangshang to Hunan Enjoy, for a consideration of RMB45,000,000.

**(g) Hunan Xiangsheng**

On September 20, 2016, Hunan Xiangsheng was established in China as a limited liability company with a registered capital of RMB10,000,000, which had been fully paid up by Hunan Inke. Hunan Inke transferred its entire equity interest in Hunan Xiangsheng to Hunan Tiantianxiangsheng in February 26, 2018.

**(h) *Huai'an Inke***

On June 15, 2017, Huai'an Inke was established in China as a limited liability company with a registered capital of RMB5,000,000 which is held as to 100% by Beijing Meelive. As of the Latest Practicable Date, the registered capital of Hunan Inke remained unpaid.

**(i) *Hunan Inke***

On May 30, 2016, Hunan Inke was established in China as a limited liability company with a registered capital of RMB10,000,000 which had been fully paid up by Beijing Meelive.

On March 20, 2017, the registered capital of Hunan Inke increased from RMB10,000,000 to RMB50,000,000, where Beijing Meelive has fully paid up such additional registered capital on March 14, 2017. Hunan Inke is held as to 100% by Beijing Meelive.

**(j) *Inke BVI***

On November 30, 2017, Inke BVI was incorporated in the BVI as a limited liability company with a total issued share capital of US\$1 comprising of one ordinary share, which was allotted and issued to our Company at par value on November 30, 2017.

**(k) *Inke HK***

On December 19, 2017, Inke HK was incorporated in Hong Kong with an issued capital of HK\$10,000 comprising of 10,000 ordinary share, which was allotted and issued to Inke BVI on December 19, 2017.

**(l) *Inke PRC***

On February 14, 2018, Inke PRC was established in China as a limited liability company with a registered capital of US\$1,000,000, which is held as to 100% by Inke HK. As of the Latest Practicable Date, the registered capital of Inke PRC remained unpaid.

**(m) *Inke HongKong Limited***

On July 12, 2016, Inke HongKong Limited was incorporated in Hong Kong with an issued capital of HK\$1.00 comprising of one ordinary share, which was allotted and issued to Shanghai Meelive on July 12, 2016.

**(n) *Ningbo Inke***

On May 31, 2016, Ningbo Inke was established in China as a limited liability company with a registered capital of RMB1,000,000 which had been fully paid up by Beijing Meelive. Ningbo Inke is held as to 100% by Beijing Meelive.

(o) *Shanghai Meelive*

On June 7, 2016, Shanghai Meelive was established in China as a limited liability company with a registered capital of RMB5,000,000 which had been fully paid up by Beijing Meelive. Shanghai Meelive is held as to 100% by Beijing Meelive.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

**6. Repurchases of Our Own Securities**

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies listed on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on June 23, 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to

the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

*(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of Repurchased Shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

*(v) Suspension of Repurchase*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning

trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

*(b) Reasons for Repurchases*

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and our Shareholders.

*(c) Funding of Repurchases*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

*(d) General*

The exercise in full of the repurchase mandate, on the basis of 2,015,564,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme or any Shares which may be issued pursuant to the RSU Scheme, could accordingly result in up to approximately 201,556,400 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or

- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- a) the equity transfer agreement entered into between Beijing Meelive, Duomi Online, GSR Zhaohua, Xiamen Shengyuan, Xizang Kunnuo, Zihui Juxin, Shunya International, Jiaying Guanglian, the Founders and the Employees Shareholding Platforms dated September 18, 2016, pursuant to which Mr. Feng transferred RMB13,321 of the registered capital in Beijing Meelive to Jiaying Guanglian for a consideration of RMB27,000,000;
- b) the registered capital increase agreement entered into among Beijing Meelive, Duomi Online, GSR Zhaohua, Xiamen Shengyuan, Xizang Kunnuo, Zihui Juxin, Shunya International, Jiaying Guanglian,

Jiaxing Guangmei, Shenzhen Tencent, Mango Wenchuang, Ningbo Anhe, Ningbo Qingzheng, the Founders and the Employees Shareholding Platforms dated September 19, 2016, pursuant to which Jiaxing Guanglian, Jiaxing Guangmei, Shenzhen Tencent, Mango Wenchuang, Ningbo Anhe and Ningbo Qingzheng agreed to subscribe for a total of RMB134,454 in the increased registered capital of Beijing Meelive at a total investment amount of RMB310,000,000;

- c) the shareholders agreement entered into among Beijing Meelive, Duomi Online, GSR Zhaohua, Xiamen Shengyuan, Xizang Kunnuo, Zihui Juxin, Shunya International, Jiaxing Guanglian, Jiaxing Guangmei, Shenzhen Tencent, Mango Wenchuang, Ningbo Anhe, Ningbo Qingzheng, the Founders and the Employee Shareholding Platforms dated September 19, 2016, governing certain rights and obligations of the shareholders, and the management and operation of Beijing Meelive;
- d) the equity transfer agreement entered into between Beijing Meelive, Xizang Kunnuo, Jiaxing Guangxin and Mr. Feng dated September 21, 2016, pursuant to which Jiaxing Guangxin agreed to acquire 3% equity interests (representing RMB51,397 of the registered capital) in Beijing Meelive from Xizang Kunnuo at a consideration of RMB210,000,000;
- e) the equity purchase agreement entered into between Beijing Meelive, Tan Rui (譚睿), Huang Ping (黃萍), Zhang Zhiping (張治平), Hunan Tuowei Education Development Co., Ltd. (湖南拓維教育發展有限公司) (“**Hunan Tuowei**”), Hunan Tiantianxiangshang and Hunan Tiantianxiangshang Information Systems Co., Ltd. (湖南天天向上信息系統有限公司) dated November 23, 2016, together with its supplemental agreement dated March 17, 2017 entered into among Beijing Meelive, Hunan Tuowei, Tan Rui, Huang Ping, Zhang Zhiping and Hunan Tiantianxiangshang and the second supplemental agreement dated April 20, 2017 entered into among Beijing Meelive, Hunan Tuowei, Tan Rui, Huang Ping, Zhang Zhiping, Hunan Tiantianxiangshang and Hunan Enjoy, pursuant to which Hunan Enjoy (as an affiliate of Beijing Meelive) agreed to acquire, and each of Hunan Tuowei, Tan Rui, Huang Ping and Zhang Zhiping agreed to sell, 55.775%, 20.1907%, 22.3168% and 1.7150%, respectively, of the registered capital in Hunan Tiantianxiangshang to Hunan Enjoy, for a total consideration of RMB45,000,000;
- f) the acquisition agreement entered into between Beijing Meelive, Tan Xing (譚星), Tan Yan (譚炎), Pingxiang Hongmei Business Consulting Center (Limited Partnership) (萍鄉紅美商務諮詢中心 (有限合夥)) (“**Pingxiang Hongmei**”), Guo Hui (郭輝) and Haomei Information dated July 31, 2017, pursuant to which Beijing Meelive agreed to acquire, and each of Tan Xing (譚星), Tan Yan (譚炎), Pingxiang Hongmei agreed to sell, RMB5,000,000, RMB1,500,000 and RMB1,500,000 of their respective equity interest then held in Haomei Information, representing 50%, 15% and 15% of the total registered capital in Haomei Information, at a consideration of RMB10,000,000, RMB3,000,000 and RMB3,000,000, respectively, and the remaining RMB2,000,000 registered capital, representing 20% equity interest in Haomei Information, shall be transferred by Tan Xing (as nominee holder) to Guo Hui at nil consideration;
- g) the supplemental agreement relating to the historical capital increases in Beijing Meelive entered into among Beijing Meelive, the Founders, the Employees Shareholding Platforms and Duomi Online, Xizang Kunnuo, Zihui Juxin, Xiamen Shengyuan, Jiaxing Guangxin, GSR Zhaohua, Jiaxing



Guangmei, Jiaxing Guanglian, Ningbo Anhe, Ningbo Qingzheng, Shenzhen Tencent, Mango Wenchuang, Shunya International, Kunlun, Xiamen Saifu, Zihui Tianma, Changxing Shengju and Chiyu Investment (collectively, the “**Investors**”) dated February 13, 2018, pursuant to which it was agreed that the special rights of the Investors under the relevant increase in registered capital, equity transfer and shareholders agreements shall be terminated with effect from February 13, 2018;

- h) the exclusive consulting and service agreement dated February 14, 2018 entered into between Inke PRC and Beijing Meelive, pursuant to which Beijing Meelive agreed to engage Inke PRC as its exclusive consultant and service provider and Beijing Meelive shall pay a service fee to Inke PRC that is equal to the consolidated profit before taxation of Beijing Meelive and its subsidiaries, without taking into account the consulting and service fee payable under the agreement, and after offsetting the prior-year loss (if any) and deducting necessary operating cost, expenses and tax of each of Beijing Meelive and its subsidiaries;
- i) the exclusive call option agreement dated February 14, 2018 entered into among Inke PRC, each of Mr. Feng, Ms. Liao, Mr. Hou, Inke Changqing, Inke Yuanda, Inke Huanzhong, Xiamen Shengyuan, GSR Zhaohua, Jiaxing Guangxin, Jiaxing Guangmei, Jiaxing Guanglian, Ningbo Anhe, Ningbo Qingzheng, Changxing Shengju, Zihui Juxin, Xizang Kunnuo, Duomi Online, Chiyu Investment, Shunya International and Shenzhen Tencent (each a “**Registered Shareholder**”, and collectively, the “**Registered Shareholders**”) and Beijing Meelive, pursuant to which the Registered Shareholders and Beijing Meelive severally or jointly granted to Inke PRC and/or its designated person(s) irrevocable and exclusive options to purchase all or part of their equity interests in, and/or all or part of the assets of, Beijing Meelive any time at the minimum purchase price permitted under PRC laws and regulations or at the net book value of such assets (as the case may be);
- j) the equity pledge agreement dated February 14, 2018 entered into among Inke PRC, the Registered Shareholders (as defined in sub-paragraph (i) above) and Beijing Meelive, pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Beijing Meelive to Inke PRC to secure performance of all their obligations and the obligations of Beijing Meelive under the exclusive consulting and service agreement (as described in sub-paragraph (h) above), and under which Inke PRC is entitled to exercise its rights to deal with the pledged equity interests, entirely or partially, in Beijing Meelive upon the breach of any of the terms of the exclusive consulting and service agreement;
- k) the cornerstone investment agreement dated June 24, 2018 entered into among our Company, Nova Compass Investment Limited and the Joint Global Coordinators, pursuant to which Nova Compass Investment Limited agreed to purchase the Offer Shares, at the Offer Price, in the amount equal to the Hong Kong dollars equivalent of US\$30 million;
- l) the cornerstone investment agreement dated June 24, 2018 entered into among our Company, Bilibili Inc., the Joint Global Coordinators and Haitong International Securities Company Limited, pursuant to which Bilibili Inc. agreed to purchase the Offer Shares, at the Offer Price, in the amount equal to the Hong Kong dollars equivalent of US\$10 million; and
- m) the Hong Kong Underwriting Agreement.









## 2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

### (a) Trademarks




As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:








No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.		9	Beijing Meelive	PRC	16137754	June 7, 2016	June 6, 2026
2.		42	Beijing Meelive	PRC	16137954	August 28, 2016	August 27, 2026
3.		45	Beijing Meelive	PRC	16137976	March 14, 2016	March 13, 2026
4.	inke	9, 42	Beijing Meelive	PRC	17092132, 17092218	August 21, 2016	August 20, 2026
5.	inke	38, 45	Beijing Meelive	PRC	17092166, 17092291	July 28, 2016	July 27, 2026
6.	MeeLive	9, 38, 42, 45	Beijing Meelive	PRC	15887465, 15887464, 15887463, 15887462	February 7, 2016	February 6, 2026
7.		9, 38, 42, 45	Beijing Meelive	PRC	17092162, 17092181, 17092223, 17092420	August 21, 2016	August 20, 2026
8.	映客	35	Beijing Meelive	PRC	17514262	September 21, 2016	September 20, 2026
9.	映客	43	Beijing Meelive	PRC	18132800	November 28, 2016	November 27, 2026
10.	映客	29	Beijing Meelive	PRC	18853227	February 14, 2017	February 13, 2027




No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
11.	映客	6, 15, 18, 20, 21, 24, 26, 34, 36	Beijing Meelive	PRC	21557137, 21558193, 21558632, 21558947, 21565537, 21559043, 21559315, 21559508, 21559694	November 28, 2017	November 27, 2027
12.	映客	9, 38, 42, 45	Beijing Meelive	PRC	16560382, 16560381, 16560380, 16560379	June 7, 2016	June 6, 2026
13.	映客	41	Beijing Meelive	PRC	18392776	December 28, 2016	December 27, 2026
14.	映客直播	9	Beijing Meelive	PRC	20864049	September 28, 2017	September 27, 2027
15.	映客直播	38	Beijing Meelive	PRC	20864103	September 29, 2017	September 27, 2027
16.	映客直播	42	Beijing Meelive	PRC	20864300	September 30, 2017	September 27, 2027
17.	映客	45	Beijing Meelive	PRC	20864301	October 1, 2017	September 27, 2027
18.	爱映客	9, 35, 38, 41, 42, 45	Beijing Meelive	PRC	21559960, 21560036, 21559845, 21560154, 21560240, 21560293	November 28, 2017	November 27, 2027
19.		9	Beijing Meelive	PRC	19105728	March 21, 2017	March 20, 2027
20.		18, 20	Beijing Meelive	PRC	21558712, 21558912	November 28, 2017	November 27, 2027
21.	蜜 Live	9	Beijing Meelive	PRC	15887469	April 21, 2016	April 20, 2026

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
22.	蜜 Live	45	Beijing Meelive	PRC	15887466	February 14, 2016	February 13, 2026
23.	蜜莱坞	9, 38, 42, 45	Beijing Meelive	PRC	16087875, 16087826, 16087831, 16087876	March 7, 2016	March 6, 2026
24.		9, 35, 36, 38, 41, 42, 45	Beijing Meelive	PRC	20362966, 20363078, 20363165, 20363231, 20363357, 20363365, 20363568	August 7, 2017	August 6, 2027
25.	小映帮我	9, 35, 36, 38, 41, 42, 45	Beijing Meelive	PRC	20129356, 20129540, 20129265, 20129575, 20129707, 20129556, 20129659	July 21, 2017	July 20, 2027
26.	inke home	35	Beijing Meelive	PRC	18492910	January 7, 2017	January 6, 2027
27.	老柚	9, 38, 41, 42, 45	Hunan Anyue	PRC	21518377, 21518681, 21518842, 21519106, 21519319	November 28, 2017	November 27, 2027
28.	老柚直播	9, 38, 41, 42, 45	Hunan Anyue	PRC	21518433, 21518580, 21518812, 21519141, 21519296	November 28, 2017	November 27, 2027

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
1.		3, 6, 11, 12, 14, 15, 16, 21, 24, 25, 26, 28, 34, 36	Beijing Meelive	PRC	21557381, 21557581, 21557297, 21557908, 21558026, 21558248, 21558437, 21565496, 21559040, 21558897, 21559331, 21559448, 21559576, 21559668	October 13, 2016
2.		35, 38, 41, 42, 45	Beijing Meelive	PRC	19105660, 19105782, 19105707, 19105821, 19105752	February 16, 2016
3.		35, 38, 41, 42, 45	Beijing Meelive	PRC	22819978, 22820409, 22820569, 22820513, 22820546	February 14, 2017
4.	直播号	9, 35, 38, 41, 42, 45	Beijing Meelive	PRC	19210808, 19210752, 19210863, 19210839, 19210889, 19211052	March 3, 2016
5.	映客	3, 11, 12, 14, 16, 25, 28	Beijing Meelive	PRC	21557026, 21557683, 21557822, 21558091, 21558550, 21559249, 21559459	October 13, 2016
6.	映客	35, 41	Beijing Meelive	PRC	20864066, 20864043	August 3, 2016

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
7.	映客	42	Beijing Meelive	PRC	15887467	December 9, 2014
8.	映客直播	35, 41	Beijing Meelive	PRC	20864025, 20864067	August 3, 2016
9.	全民直播	9, 35, 38, 41, 42, 45	Beijing Meelive	PRC	20129466, 20129116, 20129703, 20129692, 20129588, 20129852	May 30, 2016
10.	 映客直播	35, 41	Beijing Meelive	PRC	22820259, 22820437	February 14, 2017
11.	 映客INKE	38, 42, 45	Beijing Meelive	PRC	22820135, 22820690, 22820733	February 14, 2017
12.	映视频	9, 35, 38, 41, 42, 45	Beijing Meelive	PRC	22820625, 22821200, 22821270, 22821260, 22820984, 22821604	February 14, 2017
13.	INKE	9, 35, 38, 41, 42, 45	Inke HK	Hong Kong	304419333 304419342	February 1, 2018
14.	INKE		Inke HK	Hong Kong	304426263	February 8, 2018
15.		9, 35, 38, 41, 42, 45	Inke HK	Hong Kong	304419162	February 1, 2018
16.		16	Inke HK	Hong Kong	304426308	February 8, 2018
17.		9, 35, 38, 41, 42, 45	Inke HK	Hong Kong	304419199	February 1, 2018
18.		16	Inke HK	Hong Kong	304426254	February 8, 2018
19.	 映客直播	9, 35, 38, 41, 42, 45	Inke HK	Hong Kong	304419252	February 1, 2018

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
20.		16	Inke HK	Hong Kong	304426317	February 8, 2018
21.		9, 35, 38, 41, 42, 45	Inke HK	Hong Kong	304419306	February 1, 2018
22.		16	Inke HK	Hong Kong	304426326	February 8, 2018

## Notes:

- Class 3: Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; non-medicated soaps; perfumery, essential oils, non-medicated cosmetics, non-medicated hair lotions; non-medicated dentifrices.
- Class 6: Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs; automatic vending machines.
- Class 9: Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording disks; compact disks, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers, computer software; fire-extinguishing apparatus.
- Class 11: Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
- Class 12: Vehicles; apparatus for locomotion by land, air or water.
- Class 14: Firearms; ammunition and projectiles, explosives; fireworks.
- Class 15: Musical instruments.
- Class 16: Paper, cardboard and goods made from these materials, not included in other classes, printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); playing cards; printers' type; printing blocks.
- Class 18: Leather and imitations of leather; animal skins and hides; luggage and carrying bags; umbrellas and parasols; walking sticks; whips, harness and saddlery; collars, leashes and clothing for animals.
- Class 20: Furniture, mirrors, picture frames; containers, not of metal, for storage or transport; unworked or semi-worked bone, horn, whalebone or mother-of-pearl; shells; meerschaum; yellow amber.
- Class 21: Ropes and string; nets; tents and tarpaulins; awnings of textile or synthetic materials; sails; sacks for the transport and storage of materials in bulk; padding, cushioning and stuffing materials, except of paper, cardboard, rubber or plastics; raw fibrous textile materials and substitutes therefor.
- Class 24: Textiles and substitutes for textiles; household linen; curtains of textile or plastic.
- Class 25: Clothing, footwear, headgear.
- Class 26: Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers; hair decorations; false hair.
- Class 28: Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
- Class 34: Tobacco; smokers' articles; matches.
- Class 35: Advertising, business management, business administration and office functions.
- Class 36: Insurance; financial affairs; monetary affairs; real estate affairs.
- Class 38: Telecommunications.
- Class 41: Education, providing of training, entertainment, sporting and cultural activities.

21. Class 42: Scientific and technological services and research and design relating thereto, industrial analysis and research services, design and development of computer hardware and software
22. Class 45: Legal services; security services for the physical protection of tangible property and individuals; personal and social services rendered by others to meet the needs of individuals

**(b) Domain Names**

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	inkept.cn	Hunan Inke	July 6, 2017	July 6, 2019
2.	inke.cn	Hunan Inke	November 11, 2006	November 11, 2018
3.	mclive.tv	Hunan Xiangsheng	September 23, 2016	September 23, 2019
4.	livemust.cn	Hunan Xiangsheng	July 15, 2016	July 15, 2019
5.	tiantianstar.com	Hunan Tiantianxiangshang	December 28, 2017	December 28, 2018
6.	tiantiannb.com	Hunan Tiantianxiangshang	December 28, 2017	December 28, 2018
7.	tiantiannb.cn	Hunan Tiantianxiangshang	December 28, 2017	December 28, 2018
8.	zhishichaoren.com	Hunan Tiantianxiangshang	December 27, 2017	December 27, 2018
9.	zhishichaoren.cn	Hunan Tiantianxiangshang	December 27, 2017	December 27, 2018
10.	cheesesuperman.com	Hunan Tiantianxiangshang	December 27, 2017	December 27, 2018
11.	cheesesuperman.cn	Hunan Tiantianxiangshang	December 27, 2017	December 27, 2018
12.	iinke.com	Hunan Tiantianxiangshang	June 2, 2016	June 2, 2019
13.	ichaoren.com	Hunan Tiantianxiangshang	May 17, 2013	May 17, 2018
14.	caratsvip.com	Hunan Anyue	November 29, 2017	November 29, 2018
15.	caratbj.com	Hunan Anyue	November 29, 2017	November 29, 2018
16.	caratlive.cn	Hunan Anyue	November 29, 2017	November 29, 2018
17.	inkegame.com	Beijing Meelive	January 9, 2017	January 9, 2020
18.	inkegame.cn	Beijing Meelive	January 9, 2017	January 9, 2020
19.	h6unhwbo1.cn	Beijing Meelive	November 10, 2016	November 10, 2018
20.	h7tuh05mf.cn	Beijing Meelive	November 10, 2016	November 10, 2018
21.	inkehome.com	Beijing Meelive	December 1, 2015	December 1, 2019

No.	Domain name	Registrant	Registration date	Expiry date
22.	ingketv.com	Beijing Meelive	May 24, 2016	May 24, 2019
23.	inketv.com	Beijing Meelive	September 22, 2015	September 22, 2019
24.	inke.com	Beijing Meelive	February 25, 1999	February 25, 2019
25.	inke.tv	Beijing Meelive	April 1, 2015	April 1, 2019
26.	ingkee.com	Beijing Meelive	March 17, 2015	March 17, 2019
27.	ingkee.cn	Beijing Meelive	March 17, 2015	March 17, 2019
28.	meerlive.com	Beijing Meelive	March 12, 2015	March 12, 2019
29.	haogudai.com	Beijing Meelive	December 27, 2014	December 27, 2018
30.	haogudai.cn	Beijing Meelive	December 28, 2014	December 28, 2018
31.	meexin.com	Beijing Meelive	December 23, 2014	December 23, 2018
32.	meeshow.com	Beijing Meelive	December 23, 2014	December 23, 2018
33.	meeliao.com	Beijing Meelive	December 23, 2014	December 23, 2018
34.	meepiao.com	Beijing Meelive	December 23, 2014	December 23, 2018
35.	meelove.cn	Beijing Meelive	December 23, 2014	December 23, 2018
36.	meeclub.cn	Beijing Meelive	December 23, 2014	December 23, 2018
37.	meeclar.cn	Beijing Meelive	December 23, 2014	December 23, 2018
38.	meemi.cn	Beijing Meelive	December 23, 2014	December 23, 2018
39.	meelive.cn	Beijing Meelive	October 21, 2014	October 21, 2019
40.	meelive.tv	Beijing Meelive	October 21, 2014	October 21, 2019

(c) *Copyrights*

As of the Latest Practicable Date, we have registered the following copyrights which are material to our business:

No.	Title of copyright	Registered owner	Registration number	Place of registration	Registration date
1.	Live broadcasting software for android V1.0.0 [android 全民直播軟件 V1.0.0]	Beijing Meelive	2016SR064341	PRC	March 29, 2016
2.	Moments live broadcasting software V1.0.0 [moments 直播軟件] V1.0.0	Beijing Meelive	2016SR145164	PRC	June 16, 2016
3.	Oatmeal live broadcasting software V1.0.0 [Oatmeal 直播軟件 V1.0.0]	Beijing Meelive	2016SR162893	PRC	June 30, 2016
4.	taylor live broadcasting software V1.0.0 [taylor 直播軟件 V1.0.0]	Beijing Meelive	2016SR162899	PRC	June 30, 2016



No.	Title of copyright	Registered owner	Registration number	Place of registration	Registration date
5.	Meelive live broadcasting software for android V1.0.0 [android 蜜 Live 直播軟件 V1.0.0]	Beijing Meelive	2016SR187562	PRC	July 20, 2016
6.	Inke live broadcasting software for iphone V2.0.0 [iphone 映客直播軟件] V2.0.0	Beijing Meelive	2016SR241094	PRC	August 30, 2016
7.	Inke live broadcasting software for android V2.0.0 [android 映客直播軟件 V2.0.0]	Beijing Meelive	2016SR241103	PRC	August 30, 2016
8.	Meelive live broadcasting software for android V2.0.0 [android 蜜 Live 直播軟件 V2.0.0]	Beijing Meelive	2016SR241108	PRC	August 30, 2016
9.	Inke gaming live broadcasting software (Android version) V1.0.7 [映客遊戲直播軟件(Android 版) V1.0.7]	Beijing Meelive	2017SR239521	PRC	June 6, 2017
10.	Inke android V5.0.10 [映客android V5.0.10]	Beijing Meelive	2017SR635343	PRC	November 20, 2017
11.	Inke iphone V5.0.05 [映客iphone V5.0.05]	Beijing Meelive	2017SR635338	PRC	November 20, 2017
12.	Gaming live broadcasting app [遊戲直播端]	Beijing Meelive	2017SR639061	PRC	November 21, 2017
13.	SDJ background operation management system V3.0 [SDJ 運營後台管理系統 V3.0]	Hunan Inke	2017SR662145	PRC	December 1, 2017
14.	Dynamic review platform V3.0 [動態審核V3.0]	Hunan Inke	2017SR662046	PRC	December 1, 2017
15.	Static review V3.0 [靜態審核V3.0]	Hunan Inke	2017SR662051	PRC	December 1, 2017
16.	Chat review V3.0 [聊天審核V3.0]	Hunan Inke	2017SR662075	PRC	December 1, 2017
17.	Inke live broadcasting software V1.0.0 [影刻直播軟件 V1.0.0]	Hunan Inke	2016SR151700	PRC	June 22, 2016
18.	Dynamic content review platform V1.0 [動態內容審核平臺 V1.0]	Hunan Inke	2016SR404833	PRC	December 29, 2016
19.	Popular chat review platform V1.0 [熱門聊天審核平臺V1.0]	Hunan Inke	2017SR004687	PRC	January 5, 2017
20.	Static content review platform V1.0 [靜態內容審核平臺V1.0]	Hunan Inke	2017SR004786	PRC	January 5, 2017

No.	Title of copyright	Registered owner	Registration number	Place of registration	Registration date
21.	SDJ background operation management system V1.0 [SDJ運營後台管理系統V1.0]	Hunan Inke	2017SR027262	PRC	January 26, 2017
22.	Dynamic content review platform V2.0 [動態內容審核平臺V2.0]	Hunan Inke	2017SR264820	PRC	June 14, 2017
23.	Popular chat review platform V2.0 [熱門聊天審核平臺V2.0]	Hunan Inke	2017SR264925	PRC	June 14, 2017
24.	Static content review platform V2.0 [靜態內容審核平臺V2.0]	Hunan Inke	2017SR264835	PRC	June 14, 2017
25.	SDJ background operation management system V2.0 [SDJ運營後台管理系統V2.0]	Hunan Inke	2017SR264918	PRC	June 14, 2017
26.	Tiantianxiang shang office automation software V.20 [天天向上辦公自動化軟體V2.0]	Hunan Tiantianxian gshang	2011SR029241	PRC	May 17, 2011
27.	Tiantianxiang shang webmail e-mail system [天天向上Web Mail電子郵件系統V1.0]	Hunan Tiantianxian gshang	2011SR039146	PRC	June 21, 2011
28.	Owl [貓頭鷹]	Beijing Meelive	Guozuo Registration - 2016-F-00334815	PRC	December 2, 2016
29.	Duidui Software v1.0 for Android [懟懟軟體 (Android 版) v1.0]	Hunan Xiangsheng	2017SR504947	PRC	September 12, 2017
30.	Duidui Software v1.0 for iOS [懟懟軟體 (iOS版) v1.0]	Hunan Xiangsheng	2017SR505196	PRC	September 12, 2017
31.	Live broadcasting software for iOS V1.0.0 [iOS 全民直播軟件V1.0.0]	Hunan Xiangsheng	2017SR015676	PRC	January 17, 2017
32.	Cheese Superman Software for Android 1.0 [芝士超人軟件 (Android版) 1.0]	Hunan Xiangsheng	2018SR014900	PRC	January 5, 2018
33.	Cheese Superman Software for iOS 1.0 [芝士超人軟件 (iOS版) 1.0]	Hunan Xiangsheng	2018SR014637	PRC	January 5, 2018
34.	Cheese Superman Logo [芝士超人LOGO]	Hunan Xiangsheng	Guozuo Registration - 2018-F-00449272	PRC	February 27, 2018
35.	Mooncat software v1.0 for Android [月貓約玩軟體 (Android 版) v1.0]	Hunan Anyue	2017SR523787	PRC	September 18, 2017

No.	Title of copyright	Registered owner	Registration number	Place of registration	Registration date
36.	Mooncat software v1.0 for iOS [月貓約玩軟體(iOS 版) v1.0]	Hunan Anyue	2017SR523792	PRC	September 18, 2017
37.	Black We are Wolves software V1.0 [天黑狼人殺軟體 V1.0]	Haomei Information	2017SR087549	PRC	March 22, 2017
38.	TT We are Wolves software V1.0 [TT 狼人殺軟體 V1.0]	Haomei Information	2017SR081479	PRC	March 16, 2017
39.	Daily video mahjong game software [天天視頻麻將遊戲軟體]	Haomei Information	2017SR564880	PRC	October 12, 2017

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our Group's business.

### C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 1. Disclosure of Interests

##### (a) *Interests of the Directors and the Chief Executive of Our Company*

Immediately following the completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

##### (i) *Interest in our Company*

Name of Director	Nature of interest	Immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised)	
		Number of Shares held	Approximate percentage of shareholding interest <sup>(1)</sup>
Mr. Feng . . . . .	Interest in controlled corporation	358,798,000	17.80%
Ms. Liao . . . . .	Interest in controlled corporation	167,155,000	8.29%
Mr. Hou . . . . .	Interest in controlled corporation	167,155,000	8.29%

*Notes:*

- (1) The calculation is based on the total number of 2,015,564,000 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and Shares which may be issued under the RSU Scheme).
- (2) All interests stated are long positions.
- (3) Mr. Feng holds the entire share capital of Fantastic Live Holdings Limited, which in turn directly holds 358,798,000 Shares. Accordingly, Mr. Feng is deemed to be interested in the 358,798,000 Shares held by Fantastic Live Holdings Limited.
- (4) Ms. Liao holds the entire share capital of Luckystar Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Ms. Liao, through Luckystar Live Holdings Limited, holds 89.99% of the total issued share capital in Generous live LIMITED, which in turn directly holds 86,746,000 Shares. Accordingly, Ms. Liao is deemed to be interested in the 80,409,000 Shares and 86,746,000 Shares directly held by each of Luckystar Live Holdings Limited and Generous live LIMITED.
- (5) Mr. Hou holds the entire share capital of Horizon Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Mr. Hou, through Horizon Live Holdings Limited, holds 97.99% of the total issued share capital in Evergreen live LIMITED, which in turn directly holds 86,746,000 Shares. Accordingly, Mr. Hou is deemed to be interested in the 80,409,000 Shares and 86,746,000 Shares directly held by each of Horizon Live Holdings Limited and Evergreen live LIMITED.

**(b) *Interests of the Substantial Shareholders***

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company:

**(c) *Interests in Other Members of the Group***

So far as our Directors are aware, as at the Latest Practicable Date, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of subsidiary	Name of shareholder	Registered capital	Approximate % of interest
Beijing Meelive . . . . .	Mr. Feng	RMB358,798	20.94%
Beijing Meelive . . . . .	Duomi Online	RMB250,000	14.59%
Beijing Meelive . . . . .	Xizang Kunnuo	RMB175,293	10.23%
Haomei Information . . . . .	Guo Hui	RMB2,000,000	20.00%

## 2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on June 23, 2018 and we have issued letters of appointment to our non-executive Director and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with our non-executive Director are for an initial fixed term of three years commencing from June 23, 2018. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

## 3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) paid to the Directors for the years ended December 31, 2015, 2016 and 2017 were approximately RMB392,000, RMB97.7 million and RMB4.8 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the period/years ended December 31, 2015, 2016 and 2017, by any of member of the Group to any of the Directors.

Pursuant to the service contracts entered into between our Company and each of our executive Directors and the appointment letters issued to each of the non-executive Director and independent non-executive Directors, the basic annual salary and the contractual annual performance bonus payable to each of our Directors are as follows:

Director	Remuneration (per annum) HK\$
Feng Yousheng . . . . .	640,000
Liao Jieming . . . . .	640,000
Hou Guangling . . . . .	640,000
Liu Xiaosong . . . . .	330,000
David Cui . . . . .	330,000
Du Yongbo . . . . .	330,000
Li Hui . . . . .	330,000

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending December 31, 2018 to be approximately HK\$3.2 million.

#### 4. Directors' Competing Interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

#### 5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in “— E. Other Information — 5. Qualification of Experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

- (g) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

## D. SHARE INCENTIVE SCHEMES

### 1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on June 23, 2018 and its implementation is conditional on the Listing.

#### (a) *Purpose*

The purpose of the Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

#### (b) *Who may participate*

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company ("**Eligible Persons**").

#### (c) *Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the "**Other Schemes**") of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"). On the basis of 2,015,564,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the RSU Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 201,556,400 Shares. Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting refresh, the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes of our Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any



Other Schemes of our Company (including those outstanding, canceled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”. The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of our Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

**(d) *Maximum entitlement of each individual***

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates) abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders’ approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

**(e) *Grant of options to connected persons***

Each grant of options to a Director (including an independent non-executive Director) of any member of our Group or associated company of our Company, chief executive or substantial shareholder of our Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).



Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, canceled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Any Shareholder who is a connected person of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person may vote against such resolution subject to the requirements of the Listing Rules. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

**(f) *Acceptance of an offer of options***

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

**(g) *Exercise price***

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

**(h) *Duration of Share Option Scheme***

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall

remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

*(i) Time of vesting and exercise of options*

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the “**Option Period**”).

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders. If an option-holder is transferred to work in China or another country and still continues to hold a salaried office or employment under a contract with a member of our Group or associated companies of our Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his Options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

*(j) Restriction on the time of grant of options*

A grant of options may not be made after inside information has come to our knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

***(k) Ranking of the Shares***

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

***(l) Restrictions on transfer***

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

***(m) Rights on voluntary resignation***

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

***(n) Rights on termination of employment***

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

***(o) Rights on death, disability, retirement and transfer***

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death; or

- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment; or
- (iv) his early retirement by agreement with the option-holder's employer; or
- (v) his employer terminating his contract of employment by reason of redundancy; or
- (vi) his employer ceasing to be a member of our Group or an associated company of our Company or under the control of our Company; or
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of our Company nor a member of our Group or associated companies of our Company; or
- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (viii) above:

- (a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of our Group or associated companies; or
- (b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies; or
- (c) has disclosed trade secrets or confidential information of any member of our Group or associated companies; or

- (d) has entered into competition with any member of our Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

**(p) *Rights on cessation to be a director***

In the event that any director ceases to be a director of any member of our Group or associated companies, our Company shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

**(q) *Rights on a general offer***

In as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror (a “**Change of Control**”), the Board will notify every option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board’s notification to the option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

**(r) *Rights on company reconstructions***

In the event of a compromise or arrangement, our Company shall give notice to all option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

**(s) *Rights on winding up***

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our

Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all option-holders and each option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

**(t) *Lapse of option***

An option will lapse on the earlier of:

- (i) the expiry of the option period as determined by the Board;
- (ii) the date on which an option-holder is in breach of sub-paragraph (l); or
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above apply.

**(u) *Effect of alteration to share capital***

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial adviser appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial adviser selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on

Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes), except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisers is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisers shall be borne by our Company.

**(v) *Cancellation of option***

Unless the option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

- (i) our Company pays to the option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial adviser appointed by the Board; or
- (ii) the Board offers to grant to the option-holder replacement options (or options under any other share option scheme of any member of our Group) or makes such arrangements as the option-holder may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the option-holder may agree to compensate him for the cancellation of the option.

**(w) *Termination of the Share Option Scheme***

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Share Option Scheme at any time without Shareholders’ approval by resolving that no further options shall be granted under the Share Option Scheme and in such case, no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Share Option Scheme, or (ii) be canceled in accordance with sub-paragraph (v).

**(x) *Amendments to the Share Option Scheme***

The Board may amend any of the provisions of the Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of

our Company save where the amendments take effect automatically under the existing terms of the Share Option Scheme.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of our Company or an independent non-Executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

**(y) *Conditions of the Share Option Scheme***

The adoption of the Share Option Scheme is conditional on:

- (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

If the conditions above are not satisfied on or before the date following six months after the date the Share Option Scheme was conditionally adopted:

- (a) the Share Option Scheme shall forthwith determine
- (b) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option.

**(z) *General***

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.



Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

## 2. RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Board on June 23, 2018. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

### (a) *Purposes of the RSU Scheme*

The purpose of the RSU Scheme is to incentivize Directors (excluding independent non-executive Directors), senior management and other selected personnel for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

### (b) *RSUs*

A RSU gives a participant in the RSU Scheme (the “**RSU Participant**”) a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share. A RSU may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

### (c) *Participants in the RSU Scheme*

Persons eligible to receive RSUs under the RSU Scheme are existing directors (whether executive or non-executive, but excluding independent non-executive directors), senior management or officers of our Company or any of our subsidiaries (“**RSU Eligible Persons**”). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

### (d) *Conditions of the RSU Scheme*

The RSU Scheme is conditional upon:

- (i) the passing by the shareholders of a resolution to authorize the Board to grant RSUs under the RSU Scheme and to allot and issue, procure the transfer of, and otherwise deal with Shares in connection with the RSU Scheme;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares underlying any RSU which may be granted pursuant to the RSU Scheme; and

(iii) the commencement of trading of the Shares on the Stock Exchange (the “**RSU Conditions**”).

*(e) Term of the RSU Scheme*

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the Listing Date (unless it is terminated earlier in accordance with its terms) (the “**RSU Scheme Period**”), after which no further RSUs shall be granted or accepted, but the provisions of the RSU Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the RSU Scheme Period.

*(f) Grant and acceptance*

*(i) Making an offer*

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (“**RSU Selected Person**”) by a letter, in such form as our Board may determine (“**RSU Grant Letter**”). The RSU Grant Letter will specify the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary, and will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme. Our Company may (i) allot and issue new Shares to the RSU Trustee (as defined below in the paragraph headed “(l) Appointment of the RSU Trustee”) to satisfy the RSUs granted to RSU Selected Persons who are not connected persons of our Company upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs granted to any RSU Selected Persons (including connected or non-connected grantees) upon exercise.

*(ii) Acceptance of an offer*

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (“**RSU Grant Date**”).

*(iii) Restrictions on grants*

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- (a) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- (b) where granting the RSUs would result in a breach by our Company, our subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or

- (c) after a price sensitive event in relation to our securities has occurred or a price sensitive matter in relation to our securities has been the subject of a decision, until an announcement of such inside information has been duly published in accordance with the Listing Rules; or
- (d) within the period commencing one month immediately preceding the earlier of:
  - 1) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - 2) the deadline to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement; or
- (e) where such grant of any RSUs would result in a breach of the limits of the RSU Scheme (as set out in paragraph (g) below).

(iv) *Grants to Directors*

Where any RSU is proposed to be granted to a Director, it shall not be granted on any day on which our financial results are published and during the period of:

- (a) 60 days immediately preceding the publication date of our annual results or, if shorter, the period from the end of our relevant financial year up to the publication date of our results; and
- (b) 30 days immediately preceding the publication date of our quarterly results (if any) and half-year results or, if shorter, the period from the end of our relevant quarterly or half-year period up to the publication date of our results.

(v) *Grants to Connected Persons*

Before making any grant to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, all of our independent non-executive Directors must approve the grant of the RSU, and such grants shall otherwise be subject to compliance with the Listing Rules. For the avoidance of doubt, any grant of RSUs to a connected person of the Company, or any of their respective associates, shall be satisfied only by existing Shares to be received by the RSU Trustee (as defined below in the paragraph headed “(l) Appointment of the RSU Trustee”) from any Shareholder or to be purchased (either on-market or off-market) by the RSU Trustee.

(g) *Maximum number of Shares pursuant to RSUs*

(i) *RSU Scheme Limit*

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) must not exceed 5% of the total number of Shares in issue as at the Listing Date (the “**RSU Scheme Mandate Limit**”), subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

(ii) *Refreshment of the RSU Scheme Limit*

The RSU Scheme Limit may be refreshed from time to time subject to prior approval from our shareholders, but in any event the total number of Shares underlying the RSUs granted following the date of approval of the refreshed limit (the “**New Approval Date**”) under the limit as refreshed from time to time must not exceed 5% of the number of Shares in issue as of the relevant New Approval Date. Shares underlying the RSUs granted under the RSU Scheme (excluding RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) prior to such New Approval Date will not be counted for the purpose of determining maximum number of Shares that may underlie the RSUs granted following the relevant New Approval Date.

(iii) *Annual Mandate*

To the extent that the Company may, during the Relevant Period (defined below), grant RSUs pursuant to the RSU Scheme which may be satisfied by the Company allotting and issuing new Shares upon the vesting of the RSUs, the Company shall at its annual general meeting propose for our shareholders to consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

- (a) the maximum number of new Shares that may underlie RSUs granted pursuant to the RSU Scheme during the Relevant Period; and
- (b) that the Board has the power to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of any RSUs that are granted pursuant to the RSU Scheme during the Relevant Period as and when the RSUs vest.

The above mandate shall remain in effect during the period from the passing of the ordinary resolution granting the mandate until the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the end of the period within which the Company is required by any applicable laws or by our Articles to hold our next annual general meeting; and
- (c) the date on which such mandate is varied or revoked by an ordinary resolution of our shareholders in a general meeting,

(the “**Relevant Period**”).

*(h) Rights attached to RSUs*

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by our Board in its entire discretion in the RSU Grant Letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

*(i) Rights attached to Shares*

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

*(j) Assignment of RSUs*

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee (as defined in paragraph (l) below) on trust for the RSU Participants, the RSUs, or any interest or benefits therein.

*(k) Vesting of RSUs*

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice (“**Vesting Notice**”) to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

*(l) Appointment of the RSU Trustee*

Our Company may appoint a trustee (the “**RSU Trustee**”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs granted to RSU Selected Persons who are not connected persons of our Company upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs granted to any RSU Selected Persons (including connected or non-connected grantees) upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme.

*(m) Exercise of RSUs*

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to our Company. Any exercise of RSUs must be in respect of a board lot of 1,000 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, our Board may decide at its absolute discretion to:

- (a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or
- (b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

*(n) Rights on a takeover*

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of our Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Participant’s RSUs will vest immediately, even if the vesting period has not yet commenced.

**(o) *Rights on a compromise or arrangement***

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

**(p) *Rights on voluntary winding-up***

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

**(q) *Lapse of RSUs***

**(i) *Full lapse of RSU***

Any unvested RSU will automatically lapse immediately where:

- (a) such RSU Participant's employment or service terminates for any reason, except (i) the employment or service is terminated by reason of death, retirement or disability, (ii) where the employment is terminated involuntarily without cause, (iii) where the company employing the RSU Participant ceases to be one of our subsidiaries or (iv) any other incident occurs as the Board may at its discretion specify; or
- (b) the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

**(ii) *Partial Lapse of RSU***

A RSU Participant's unvested RSU will lapse on a proportional basis based on the proportion that:

- (a) the time between the RSU Grant Date and the occurrence of the following relevant event bears to
- (b) the entire vesting period set out in the RSU Participant's RSU Grant Letter if:
  - (i) the RSU Participant's employment or service is terminated because of the RSU Participant's death, retirement or disability;

- (ii) the RSU Participant's employment or service is terminated involuntarily without cause;
- (iii) the company with which the RSU Participant is employed ceases to be one of our subsidiaries;  
or
- (iv) any other incident occurs as our Board may at its discretion specify,

provided that the performance criteria set out in the RSU Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

(iii) *If at any time, a RSU Participant:*

- (a) ceases to be an employee as a result of termination of his employment with our Group for Cause. For the purpose of this paragraph, "Cause" means the RSU Participant is in breach of his contract of employment with or any other obligation to the Group;
- (b) fails, during the course of his employment, to devote the whole of his time and attention to the business of our Group or to use his best endeavors to develop the business and interests of our Group;
- (c) is concerned during the course of his employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group; and/or
- (d) is in breach of his contract of employment with or any other obligation to our Group,

then all vested and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

(r) ***Cancellation of RSUs***

Our Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

- (i) our Company or our subsidiaries pay to the RSU Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with our auditors or an independent financial adviser appointed by our Board;
- (ii) our Company or our relevant subsidiary provides to the RSU Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be canceled; or
- (iii) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancellation of the RSUs.



(s) *Reorganization of capital structure*

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company, our Board may make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(t) *Amendment of the RSU Scheme*

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants.

Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. Our Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(u) *Termination of the RSU Scheme*

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the RSU Trustee and all RSU Participants of such termination and of how any property held by the RSU Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

(v) *Administration of the RSU Scheme*

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee of our Board. Our Board may also appoint one or more independent third party contractors (including the RSU Trustee) to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a Director is a RSU Participant he may, notwithstanding his own interest and subject to our Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his own participation in it), and may retain RSUs under it.

Each RSU Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the RSU Scheme.

*(w) General*

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying the RSUs which may be granted pursuant to the RSU Scheme.

**E. OTHER INFORMATION**

**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**2. Litigation**

As of the Latest Practicable Date, save as disclosed in "Business — Legal Proceedings", no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

**3. Joint Sponsors**

The Joint Sponsors has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Schemes). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to "Underwriting — Independence of the Joint Sponsors" for details regarding the independence of the Joint Sponsors.

The sponsor fees payable to the Joint Sponsors are US\$900,000 in aggregate and are payable by our Company.

**4. No Material Adverse Change**

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2017 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

## 5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name (Sponsor's name in alphabetical order)	Qualification
China International Capital Corporation Hong Kong Securities Limited . . . . .	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited . . . . .	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO
Deutsche Securities Asia Limited . . . . .	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO
PricewaterhouseCoopers . . . . .	Certified Public Accountants
King & Wood Mallesons . . . . .	Legal advisers as to PRC laws
Maples and Calder (Hong Kong) LLP . . . . .	Legal advisers as to Cayman Islands laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. . . .	Industry consultant

## 6. Consents of Experts

Each of the experts as referred to in “E. Other Information — 5. Qualification of Experts” above in this prospectus has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

**7. Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**8. Preliminary Expenses**

The preliminary expenses incurred by our Company were approximately RMB100,000 and were payable by us.

**9. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

**10. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**11. Miscellaneous**

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) within the 24 months immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
- (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

- (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
  - (vi) our Company has no outstanding convertible debt securities or debentures; and
  - (vii) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.
- (c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Simpson Thacher & Bartlett, ICBC Tower, 35/F, 3 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising the Group for the years ended December 31, 2015, 2016 and 2017;
- (d) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the texts of which are set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman legal adviser, summarizing certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (f) the legal opinions dated June 28, 2018 issued by King & Wood Mallesons, our PRC legal advisor, in respect of certain aspects of the Group and the property interests of the Group;
- (g) the industry report issued by Frost & Sullivan;
- (h) the Companies Law;
- (i) the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus;

- (k) service contracts and letters of appointment referred to in “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts and Letter of Appointment” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the rules of the RSU Scheme.





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