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China Parenting Network Holdings Limited 中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8361



PLACING

SOLE SPONSOR



China Everbright Capital Limited

SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER AND SOLE LEAD MANAGER



China Everbright Securities (HK) Limited



IMPORTANT

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



China Parenting Network Holdings Limited 中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 250,000,000 Placing Shares comprising 200,000,000 New Shares and 50,000,000 Sale Shares (subject to the Over-allotment Option)

Placing Price : Not more than HK\$1.45 and expected to be not less than HK\$1.20 per Placing Share plus brokerage of 1%, 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)

Nominal value : HK\$0.01 per Share

Stock code : 8361

Sole Sponsor



China Everbright Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

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

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

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Placing Shares should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreement by means of a notice in writing given to the Company (for itself and on behalf of the Selling Shareholder) by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out in the section headed "Underwriting — Underwriting Arrangements — Grounds for termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Global Coordinator (for itself and on behalf of the Underwriters) terminate the Underwriting Agreement, the Placing will not proceed and will lapse.

30 June 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

Event	Date <i>(Note 1)</i>
Price Determination Date on or before <i>(Note 2)</i>	Tuesday, 30 June 2015
Announcement of the Placing Price and the level of indication of interests in the Placing to be published on our Company's website (www.ci123.com) and the website of the Stock Exchange (www.hkexnews.hk) on or before <i>(Note 3)</i>	Tuesday, 7 July 2015
Allotment of the Placing Shares to placees (or their designated person(s)) on or before	Tuesday, 7 July 2015
Deposit of share certificates into CCASS on or before <i>(Notes 4 and 5)</i>	Tuesday, 7 July 2015
Dealings in the Shares on GEM to commence at 9:00 a.m. on	Wednesday, 8 July 2015

Notes:

1. All times refer to Hong Kong local time and date. If there is any change to the above expected timetable, our Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section "*Structure and Conditions of the Placing*" in this prospectus.
2. The Price Determination Date is scheduled to be on or before 30 June 2015 (or such later date as agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters)). If the Sole Global Coordinator and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
3. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
4. The share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Tuesday, 7 July 2015 for credit to the respective CCASS Participant's stock accounts designated by the Underwriter, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.
5. Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Wednesday, 8 July 2015) provided that (i) the Placing becomes unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements — Grounds for termination" in this prospectus has not been exercised and has lapsed.

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Placing, the Sole Global Coordinator has the right in certain circumstances, subject to its absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Wednesday, 8 July 2015). Further details of the terms of the force majeure provisions are set out in the section "*Underwriting*" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely on the information contained in this prospectus to make your investment decision. We, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Placing have not authorised 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 authorised by us, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Placing. The contents of our Company's website at www.ci123.com do not form part of this prospectus.

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SUMMARY

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

OVERVIEW

We are an online platform focusing on the CBM market in China and are mainly engaged in (i) provision of marketing and promotional service; (ii) e-commerce business; and (iii) licensing of smart-hardware devices through our large and engaged user base of CBM consumers. We only commenced our e-commerce business in September 2014 and the cooperation for the research and development of smart-hardware devices in August 2014. As such, almost all of our revenue during the Track Record Period was attributable to the provision of marketing and promotional service, which mainly comprises display of online advertisement on our Platform, couple with a series of promotional and technical support service and website redirecting, details of which are set out in “Business — Our Revenue Model — A. Our marketing and promotional service” on pages 135 to 144 of this prospectus.

According to iResearch Report, in December 2013 and December 2014, our flagship platform, PC Web, had a MAU of 14.3 million and 30.7 million, respectively, and a DAU of 0.6 million and 1.3 million, respectively. For each of the two years ended 31 December 2013 and 2014, our PC Web had an average MAU of 16.9 million and 19.0 million, respectively, and an average DAU of 0.8 million and 0.9 million, respectively.

During the Track Record Period, the revenue contributed by each of our business segments are as follows:

	Year ended 31 December			
	2013		2014	
	<i>(RMB'000 except for percentage)</i>			
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
Marketing and promotional services				
- advertising agencies	32,802	83.3	43,549	81.5
- non-advertising agencies ^(Note 1)	6,566	16.7	8,725	16.3
- third-party online shopping platform ^(Note 2)	—	—	730	1.4
<i>Sub-total</i>	<u>39,368</u>	<u>100.0</u>	<u>53,004</u>	<u>99.2</u>
E-commerce ^(Note 3)	<u>—</u>	<u>—</u>	<u>429</u>	<u>0.8</u>
Total	<u><u>39,368</u></u>	<u><u>100.0</u></u>	<u><u>53,433</u></u>	<u><u>100.0</u></u>

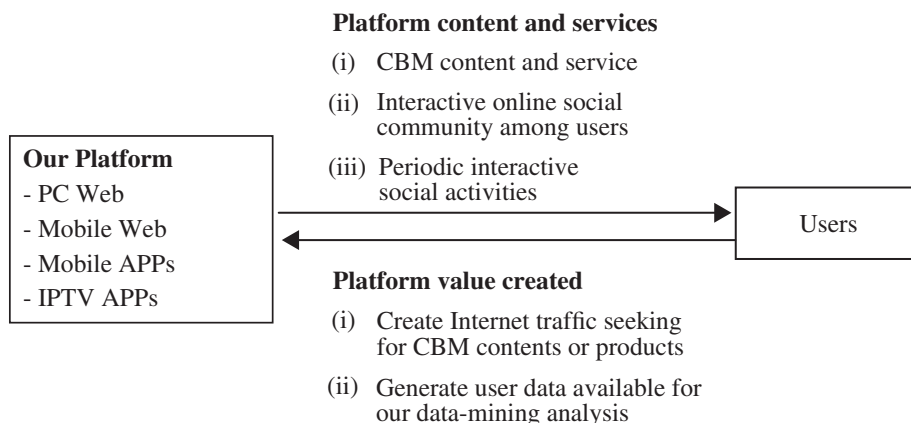
Notes:

- (1) Non-advertising agencies mainly include CBM product manufacturers and CBM service providers.
- (2) In 2014, we began to generate revenue from a third-party online shopping platform through delivery of action-based advertisement (i.e. website redirecting), which accounted for nil and 1.4% of our total revenue in 2013 and 2014, respectively.
- (3) We commenced our e-commerce business in September 2014.
- (4) We commenced the cooperation for the research and development of smart-hardware devices in August 2014 and did not record any revenue for this business segment during the Track Record Period.

SUMMARY

Our business model

The following diagram illustrates a brief layout of our business model:



Our Platform

Our Platform comprises a number of key components, which include (A) the PC Web; (B) Mobile Web; (C) Mobile APPs; and (D) IPTV APPs. In addition, we also promote the contents of our Platform through social media platforms operated by Independent Third Parties, including Wechat and Weibo.

PC Web was launched in 2005. It is a community website that contains information, content, news, updates and products relating to CBM in the form of content pages, online community, discussion forum, user blogs and brand promotion area. Our technical team developed modified wireless access to our Platform through the Mobile Web. Our Mobile Web enables users to have access to the mobile version of our PC Web through their mobile devices or tablet computers in 2009. As at the Latest Practicable Date, we have developed and launched 30 Mobile APPs on iOS and Android. Most of our Mobile APPs are free for download. Currently we are developing different types of Mobile APPs for interactive family entertainment. We plan to launch our interactive family entertainment products in 2015. In March 2015, we launched the Baby Plan APP (寶貝雲計劃) on iOS and Android. It was designed to nurture parent-child relationship, facilitate children's early learning, or as entertainment for families with children. In 2014, we expanded our Platform to IPTV and launched our IPTV APPs. The contents of our IPTV APPs are similar to our Mobile APPs. We have also established our presence on social media platforms operated by Independent Third Parties, through which users can have access to our specialized content relating to CBM; participate in discussion and sharing; and join our interactive social activities.

Platform content and services

We provide the following content and services to our users on our Platform:

- CBM content and services relating to (i) families planning for pregnancy; (ii) mothers in early stage of pregnancy; (iii) mothers in middle to late stage of pregnancy; (iv) families with 0-6 months infants; (v) families with 6-12 months babies; (vi) families with 1-3 years old toddlers; and (vii) families with 3-6 years old children;
- interactive online social community among users; and
- periodic interactive social activities.

Across our Platform, users can find functions and features including (i) special interest topics; (ii) search capabilities, (iii) discussion forum; (iv) user blogs; (v) contents with interactive features; and (vi) social activities board.

For details of our Platform content and services, please refer to "Business — Platform Content and Services" on pages 128 to 133 in this prospectus.

SUMMARY

Our revenue model

The following table illustrates a brief layout of our revenue model:

Monetization strategy	Revenue source	Revenue earning basis
Provision of marketing and promotional service	(a) (i) Advertising agencies	(a) Duration of advertisement space on our Platform
	(ii) CBM product manufacturers and service providers	
e-commerce business	(b) Third-party online shopping platform	(b) A fixed percentage of the total sum of the price of the products sold generated from website redirecting
	Our users	Selling price of products sold by us
Licensing of smart-hardware devices	Third-party device manufacturer	Licensing fee based on the number of smart-hardware devices sold

OUR CUSTOMERS

We have different customers for our different business segments. The customers of our business of the provision of marketing and promotional service are mainly advertising agencies, CBM product manufacturers and service providers and third-party online shopping platform. The customers of our e-commerce business are mainly individuals who are users of our Platform while the customer of our business of licensing of smart-hardware devices is a third party manufacturer of our designed smart-hardware devices.

Our top five customers during the Track Record Period consisted of four advertising agents and one manufacturer of daily essentials. For the two years ended 31 December 2014, our top five customers accounted for 53.0%, and 48.0% of our total operating income respectively, while our largest customer accounted for 17.9% and 13.8% of our total operating income respectively for the same period.

OUR SUPPLIERS

Due to the nature of our business, we do not have significant expenses incurred for supplies and purchases. The suppliers of our business of the provision of marketing and promotional service are mainly technology service providers, providers of Internet data centre services and content delivery network, advertising service provider and server service provider. The suppliers of our e-commerce are mainly providers of Internet data centre services and content delivery network, logistics company, advertising service provider, other online shopping platforms, product distributors and trading companies. We have no supplier for our licensing of smart-hardware devices since the software, technological knowledge and know-how are developed by ourselves.

SUMMARY

Our top five suppliers for the year ended 31 December 2013 consisted of a technology service provider, two providers of Internet data centre services and content delivery network, a logistics company and an advertising service provider. Our top five suppliers for the year ended 31 December 2014 consisted of a technology service provider, a logistics company, two providers of Internet data centre services and content delivery network and a server service provider. For the two years ended 31 December 2014, our top five suppliers accounted for 53.7% and 47.8% of our total operating expense respectively, while our largest supplier accounted for 42.4% and 27.4% of our total operating expense respectively for the same period.

COMPETITIVE LANDSCAPE

We face competition on the quality and effectiveness of our services, our ability to meet potential clients' expectations and specifications in a flexible way, and our experience and reputation. On the other hand, we commenced our e-commerce business in September 2014. Meanwhile, more companies are also entering into this industry and competition in this industry is becoming more tense. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths.

According to iResearch Report, the current vertical CBM market is rather concentrated with approximately 15 participants in 2014. The top 5 participants represented over 80% of the total market share in 2014. In terms of DAU and MAU of our PC Web, we are one of the leading vertical CBM platform participants with DAU of 1.3 million and MAU of 30.7 million in December 2014.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths allow us to achieve sustainable growth:

- (i) a large and engaged user base with heavy Internet traffic seeking for CBM content and products;
- (ii) our user-centric and interactive nature driving a superior user experience;
- (iii) a well established business model in monetization of our user base;
- (iv) a good relationship with our business partners;
- (v) strong in-house research and development capabilities; and
- (vi) our in-depth understanding on the CBM market.

BUSINESS STRATEGIES

Our business objective is to strengthen our position as an online platform focusing on the CBM market in China and utilize our heavy Internet traffic seeking for CBM content and services to further expand our operating income. To this end, we plan to pursue the following business strategies:

- (i) further enhance our ability to extract commercial value from our user base;
- (ii) expand and improve our products and services;
- (iii) implement mergers and acquisitions;
- (iv) continue to strengthen in-house research and development capabilities; and
- (v) continue to attract, train and retain talented and experienced employees to support our expansion.

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SUMMARY OF FINANCIAL INFORMATION

The following tables present selected historical financial information during the Track Record Period. The financial information as of and for the two years ended 31 December 2013 and 2014 is derived from and should be read in conjunction with our consolidated audited financial statements, including the accompanying notes, set forth in the accountants' report included as Appendix I to this prospectus. Our financial statements for each of these periods are prepared and presented in accordance with IFRS.

Highlight of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	39,368	53,433
Profit before tax	8,331	19,839
Profit and other comprehensive income for the year	6,918	19,587

Highlight of consolidated statements of financial position

	As of 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	1,446	1,275
Total current assets	34,890	40,355
Total current liabilities	16,489	21,895
Net current assets	18,401	18,460
Net assets	19,847	19,735

Highlight of consolidated statements of cash flows

	Year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	3,400	17,018
Net cash flows (used in)/generated from investing activities	(1,123)	183
Net cash flows generated from/(used in) financing activities	7,976	(18,515)
Net increase/(decrease) in cash and cash equivalents	10,253	(1,314)

Our revenue increased by 35.5% from RMB39.4 million in 2013 to RMB53.4 million in 2014, primarily due to the increased number of brands placing advertisements on our Platform and the increased average advertising spending by these brands. In 2014, 133 brands, usually relating to CBM products, placed their advertisements on our Platform, compared to 111 brands in 2013, while the average advertising spending increased from approximately RMB354,700 to approximately

SUMMARY

RMB401,800 during the same period. Our cost of sales increased by 6.8% from RMB4.4 million in 2013 to RMB4.7 million in 2014, primarily due to (i) the purchase cost of the goods we sold on our Mobile APPs, due to the commencement of our e-commerce business in September 2014; and (ii) the increase in the salaries and welfares, which is driven by the new recruits in e-commerce department and an increase in the number of editorial staff. As a result of the foregoing, our gross profit increased by 39.1%, from RMB35.0 million in 2013 to RMB48.7 million in 2014. Our gross profit margin increased from 88.9% to 91.1% during the same period due to increased economies of scale as our revenue grew significantly.

Major financial ratios

	As of or for the year ended	
	2013	2014
Current ratio ⁽¹⁾	2.1	1.8
Return on equity ⁽²⁾	34.9%	99.3%
Return on assets ⁽³⁾	19.0%	47.1%

Notes:

- (1) Current ratio equals current assets as at the indicated date divided by current liabilities as at the same date.
- (2) Return on equity is calculated by dividing profit by the balance of total equity as at the indicated date multiplied by 100%.
- (3) Return on assets is calculated by dividing profit by the balance of total assets as at the indicated date multiplied by 100%.

Please refer to the notes to the section headed “Financial Information — Additional Key Financial Ratios” on page 241 of this prospectus for further information on the above ratios.

SELLING SHAREHOLDER

The Placing consists of 250,000,000 Shares, of which 50,000,000 Shares are being sold by Loyal Alliance, the Selling Shareholder. Assuming a Placing Price of approximately HK\$1.33 per Placing Share, which represents the mid-point of the indicative Placing Price range, we estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commissions payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$64.2 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

OUR SHAREHOLDING STRUCTURE

The Controlling Shareholders

Loyal Alliance and Prime Wish will together legally and beneficially own an aggregate of approximately 39% of the issued share capital of our Company (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme) immediately after completion of the Capitalization Issue and the Placing. Each of Loyal Alliance and Prime Wish is wholly-owned by Ms. Li Juan, our chairperson and a non-executive Director. Mr. Wu Haiming, a non-executive Director and the spouse of Ms. Li Juan, is deemed to be interested in the interests of Ms. Li Juan. Immediately after completion of the Capitalization Issue and the Placing, Victory Glory will legally and beneficially owns

SUMMARY

approximately 12% of the issued share capital of our Company (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme). Victory Glory is wholly-owned by Mr. Cheng Li, our chief executive officer and an executive Director.

To ensure the continuity and stability of the operations of, and maintaining the control over our Company, Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, pursuant to which, with effect from the Listing, they agreed to act unanimously towards the exercise of their respective voting powers at general meetings of our Company.

Accordingly, Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance, Prime Wish and Victory Glory are taken as our Controlling Shareholders.

Pre-IPO Investment

Pursuant to the Investment Agreement dated October 2014 among Jiangsu Xi'an, Ms. Li Juan, Beijing Zhongchengma and Shanghai AMVC, Beijing Zhongchengma and Shanghai AMVC agreed to acquire the 25% of the equity interest of Jiangsu Xi'an held by Tianjin Chengbai. It was agreed that after the Reorganization, including the implementation of the Contractual Arrangement, Beijing Zhongchengma and Shanghai AMVC, through their designated special purpose vehicles, would have shareholdings in our Company reflecting their investments in Jiangsu Xi'an. To implement the Investment Agreement, a share transfer agreement dated 1 December 2014 was entered into between Tianjin Chengbai as transferor and Nanjing Zhongchengma, which was held as to 58% by Shanghai AMVC and 42% by Beijing Zhongchengma, for the transfer of RMB3,333,333 of the registered capital of Jiangsu Xi'an, representing 25% of its total equity interest at a consideration of RMB41,500,000. To reflect their shareholdings in Jiangsu Xi'an, pursuant to two instruments of transfer dated 19 December 2014 and 22 December 2014 respectively, Loyal Alliance transferred 145 Shares and 105 Shares, representing 14.5% and 10.5% of the then issued share capital of our Company, to Winner Zone and Sharp Knight respectively. Upon completion of the transfer, Jiangsu Xi'an was held as to 55% by Ms. Li Juan, 25% by Nanjing Zhongchengma, 15% by Mr. Cheng Li and 5% by Mr. Cheng Ke; and our Company was held as to 9.5% by Loyal Alliance, 30% by Prime Wish, 8% by Ample Sense, 7.5% by Perfect Home, 15% by Victory Glory, 5% by Properous Commitment, 14.5% by Winner Zone and 10.5% by Sharp Knight. The consideration under the Investment Agreement had been fully settled on 26 November 2014.

For further details of the Pre-IPO investments of Beijing Zhongchengma and Shanghai AMVC, please refer to the section headed "History and Corporate Structure" on pages 93 to 110 of this prospectus.

CONTRACTUAL ARRANGEMENT

We are primarily engaged in the operation of online platform focusing on CBM market, which is understood to be value-added telecommunications services. We conduct all of our principal business through the PRC Contractual Entities. Pursuant to applicable PRC laws and regulations, foreign investors are restricted to conduct value-added telecommunication services (excluding online data processing and transaction processing services, also called operating e-commerce). For further details of the limitations under applicable PRC laws and regulations on foreign ownership of PRC companies conducting value-added telecommunications services, please refer to the section headed "Regulatory Overview" on page 78 of this prospectus. Due to these restrictions, we conduct all our operations in

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the PRC through the Contractual Arrangement with the PRC Contractual Entities and the Relevant Shareholders. The Contractual Arrangement allows the PRC Contractual Entities' financials and results of operations to be consolidated into our financials as if they were wholly-owned subsidiaries of our Group. Please refer to the section headed "Contractual Arrangement" on page 181 of this prospectus.

On 19 January 2015, the MOFCOM published the new draft of the Foreign Investment Law (中華人民共和國外國投資法) for public comment. The new Foreign Investment Law, if finally adopted, will have significant impact on the foreign investment regime of the PRC. Please refer to the section headed "Contractual Arrangement — Development in the Legislation on Foreign Investment" on page 182 of this prospectus.

PLACING STATISTICS

	Based on a Placing Price of HK\$1.20	Based on a Placing Price of HK\$1.45
Marketing capitalization of our Shares at Listing ⁽¹⁾ (in million)	HK\$1,200	HK\$1,450
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	HK\$0.2399	HK\$0.2881

Notes:

- (1) The calculation of the market capitalisation of our Shares is based on 1,000,000,000 Shares expected to be in issue immediately after completion of the Placing and the Capitalisation Issue, but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and repurchase mandate.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share is arrived at on the basis that 1,000,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue had been completed on 31 December 2014.

Please refer to the section headed "Unaudited Pro forma Adjusted Net Tangible Assets" in Appendix II to this prospectus for further details.

LISTING EXPENSES

Transaction costs of new listing of shares involve both issuance of new shares and the listing of existing shares. Under the relevant accounting standards, incremental costs directly attributable to the issuance of new shares are deducted from equity (such as underwriting fee and listing application fee), and costs that relate to the listing of existing shares, or are otherwise not incremental and directly attributable on issuing new shares should be recognized as an expenses (such as public relation consultant's fee, industry consultant's fee and road show costs). For those transaction costs that relate jointly to both the issuance of new shares and the listing of existing shares, the allocation is made using a rational and consistent basis (such as the professional fees paid to the Sponsor, Reporting Accountants, legal advisers and other professional parties).

The underwriting commission (assuming a Placing Price of HK\$1.33 per Share, being the mid-point of the Placing Price) of approximately RMB9.2 million is shared by our Company and the Selling Shareholder based on the proportion of the number of New Shares (200,000,000 Shares) and Sale Shares (50,000,000 Shares) respectively. The total expenses (excluding underwriting commission) in connection with the Listing of the existing Shares (including the Sale Shares) and the New Shares amounted to approximately RMB18.8 million, which are borne by our Company.

SUMMARY

The total expense for the Listing (including the underwriting commission) to be borne by our Group are estimated to be approximately RMB26.1 million, of which approximately RMB14.8 million is to be charged as administrative expenses to our profit and loss accounts for the period in which the expenses are incurred, and approximately RMB11.3 million is directly attributable to the issue of new Shares in the Placing and to be accounted for a deduction from equity. During the Track Record Period, we incurred listing expenses of RMB6.9 million, among which RMB5.5 million was charged to profit or loss of our Group, and RMB1.4 million was expected to be capitalized upon Listing. Our Directors estimate that we will further incur underwriting commission and other listing expenses of approximately RMB19.2 million, among which approximately RMB9.3 million will be charged to profit or loss of our Group and approximately RMB9.9 million will be charged to equity upon completion of the Placing. Our Directors would like to emphasize that such cost is a current estimate for reference only, and the final amount to be recognised to the statement of profit or loss and other comprehensive income of our Group or to be capitalized is subject to adjustment based on audit and the then changes in variables and assumptions.

USE OF PROCEEDS

We currently estimate that our Placing Price will not be more than HK\$1.45 per Placing Share and not less than HK\$1.20 per Placing Share. Assuming a Placing Price of approximately HK\$1.33 per Placing Share, which represents the mid-point of the indicative Placing Price range, we estimate that we will receive net proceeds from the issue of new Shares of approximately HK\$233.0 million (after deducting underwriting commissions and estimated total offering expenses in the aggregate amount of approximately HK\$33.0 million paid and payable by us), assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds for the following purposes:

- approximately 20%, or approximately HK\$46.6 million, towards our research and development capabilities in order to (i) develop and increase the variety of APPs, (ii) increase the original contents in our different Platforms, and (iii) to develop interactive family entertainment system products and early learning products and management systems;
- approximately 20%, or approximately HK\$46.6 million, towards enhancing the user base and Internet traffic of our Platform;
- approximately 20%, or approximately HK\$46.6 million, towards the development of our e-commerce business and related O2O businesses;
- approximately 20%, or approximately HK\$46.6 million, towards the expansion of our businesses through acquisition of or investment in other CBM related businesses;
- approximately 10%, or approximately HK\$23.3 million, towards enhancing our marketing and promotional services, including the organizing more social activities and the expansion of our marketing and promotion teams; and
- approximately 10%, or approximately HK\$23.3 million, towards general working capital and other general corporate purposes.

We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deducting of proportional underwriting commissions payable by our Selling Shareholder in relation to the Placing of HK\$2.3 million) will be approximately HK\$64.2 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

SUMMARY

DIVIDENDS

The declaration and payment of dividends and the amount of dividends in future will be at the discretion of our Directors and will depend on, *inter alia*, our earnings, financial condition, capital requirements and surplus and any other factors that our Directors may consider relevant. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. Share premium is to be used, only if we are able to pay our debts as they fall due in the ordinary course of business. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

On 31 October 2014, we declared a dividend in the amount of RMB19.7 million payable to our then existing Shareholder, namely Jiangsu Xi'an, of which RMB8.0 million has been paid in December 2014, RMB5.0 million has been paid in March 2015 and RMB6.7 million has been paid in April 2015 by our internal funds. The dividend payment resulted in a cash outflow and a decrease in the balance of our cash and cash equivalents. Our Directors believe that after taking into account the financial resources presently available to us, including the cash and cash equivalents at hand and the internally generated funds in recent months, we have sufficient funds for our present working capital requirements, and the dividend payment will not have a material impact on our ordinary course of operation.

PRINCIPAL RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in our operations, some of which are beyond our Group's control. We have categorised these risks and uncertainties into: (i) risks related to our Contractual Arrangement; (ii) risks related to the business of our Group; (iii) risks related to the industry in which we operate; (iv) risks related to the PRC; and (v) risks related to the Placing. The following highlights some of the risks which are considered to be particularly material by our Directors:

- There is no assurance that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will be in compliance with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law (中華人民共和國外國投資法).
- We rely on our major customers during the Track Record Period.
- The continuous development and introduction of new businesses may not be successful.
- Our supervising activities over the Internet may expose ourselves to potential claims from our users or any third parties.
- Our Group relies on the provision of marketing and promotional service as a significant part of our future revenue, but the provision of such service is subject to many uncertainties which could cause our revenue to decline.
- The discontinuation of any preferential tax treatments or tax refunds currently available to our Group in the PRC could materially and adversely affect our business, financial condition and results of operations.
- Control on Internet access and the distribution of news, information or other content on Internet in the PRC may adversely affect our business.

SUMMARY

The risks mentioned above are not the only significant risks that may affect our business and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the entire section headed “Risk Factors” beginning on page 28 of this prospectus before you decide to invest in the Shares.

RECENT DEVELOPMENT

For the period subsequent to the Track Record Period and up to the Latest Practicable Date, we have entered into various contracts with brand customers and advertising agencies for the provision of marketing and promotional services. The total contract sum is approximately RMB45.7 million. In addition, for our contracts entered into in 2014, revenue of approximately RMB10.1 million will be recognized as revenue upon delivery of our marketing and promotional services which is expected to be completed in 2015.

NO MATERIAL ADVERSE CHANGE

As of the date of this prospectus, there has been no material adverse change to our financial or trading position or prospects since 31 December 2014, being the date to which our most recent audited consolidated financial statements were prepared, and since that date, there has been no event up to the date of this prospectus that would materially affect the information shown in our consolidated financial statements included in the accountants’ report set out in Appendix I to this prospectus, in each case except as otherwise disclosed in this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

DEFINITIONS

For the purpose of this prospectus, following expressions have the following meanings unless the context otherwise requires. Certain other terms are explained in “*Glossary of Technical Terms*” in this prospectus.

“Accountants’ Report”	the accountants’ report on our Company set out in Appendix I to this prospectus
“Ample Sense”	Ample Sense Management Limited (理豐管理有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and is direct wholly owned by Ms. Li Juan
“Articles” or “Articles of Association”	the articles of association of our Company adopted on and became effective from 19 June 2015 and as amended from time to time, a summary of which is set out in Appendix III “ <i>Summary of the Constitution of our Company and the Cayman Islands Company Law</i> ” to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Beijing Zhongchengma”	中誠馬(北京)投資顧問有限公司 (Zhongchengma (Beijing) Investment Consultation Company Limited*), a limited liability company established in the PRC on 12 November 2012 and wholly-owned by Ms. Wang Rong (王嶸), the spouse of Mr. Zhang Lake Mozi, our executive Director
“BMI Securities”	BMI Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO, being a Co-manager of the Placing
“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which licenced banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 799,999,000 Shares to be made upon capitalization of an amount of HK\$7,999,990 standing to the credit of the share premium account of our Company as referred to under the paragraph headed “ <i>Information about the Company and its subsidiaries</i> ” in Appendix IV “ <i>Statutory and General Information</i> ” to this prospectus.

DEFINITIONS

“CBM”	Children, babies, and maternity (孕婴童), refers to infants and kids aged between 0 and 12, and their parents (including expectant mothers)
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“CCASS Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor of the Placing
“China Everbright Securities” or “Sole Global Coordinator”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, being the sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager of the Placing
“CI APP”	an APP designed for users to access CBM information using their smart-phones and mobile devices, a streamlined version of our web-based platform, the PC Web
“Co-manager(s)”	BMI Securities and Innovax
“Company”	China Parenting Network Holdings Limited (中國育兒網絡控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 October 2014
“Companies Law”, “Cayman Companies Law” or “Cayman Islands Company Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“Contractual Arrangement”	the contractual arrangement entered into by Nanjing Xibai, the PRC Contractual Entities and the Relevant Shareholders, details of which are described in the section headed “Contractual Arrangement” in this prospectus
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and unless the context requires otherwise, refers to Loyal Alliance, Prime Wish, Victory Glory, Ms. Li Juan, Mr. Cheng Li and Mr. Wu Haiming, a non-executive Director and the spouse of Ms. Li Juan (due to his deemed interests in the interests of Ms. Li Juan)
“CSRC”	China Securities Regulatory Commission
“Deed of Indemnity”	the deed of indemnity dated 19 June 2015 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) with particulars set out in the section headed “Statutory and General Information — F. Other Information — 1. Tax and Other Indemnity” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 19 June 2015 and entered into by our Controlling Shareholders in favour of our Company with particulars set out in the section headed “Relationship with Our Controlling Shareholders — Non-competition Undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), enacted on 16 March 2007 and took effect on 1 January 2008, as amended from time to time
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“GEM Website”	the Internet website at www.hkgem.com operated by the Stock Exchange for the purposes of GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

DEFINITIONS

“Group” or “our Group” or “we” or “us”	our Company, its subsidiaries and the PRC Contractual Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the our Company by virtue of the Contractual Arrangement), or where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) and the PRC Contractual Entities
“iResearch” or “Industry Consultant”	iResearch Consulting Group
“iResearch Report”	an industry report on the online CBM market in China prepared by iResearch and commissioned by the Company
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“ICP”	an Internet content provider
“ICP licence(s)”	a value-added telecommunications business operation licence with a service scope of information services of Category 2 value-added telecommunication services by the relevant PRC government authorities
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, is not connected with (within the meaning of the GEM Listing Rules) any of our Directors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective close associates
“Innovax”	Innovax Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being a Co-manager of the Placing
“Investment Agreement”	the agreement dated October 2014 among Jiangsu Xi’an, Ms. Li Juan, Beijing Zhongchengma and Shanghai AMVC in relation to the acquisition of 25% of the equity interest of Jiangsu Xi’an, details of which are set out in the section headed “ <i>History and Corporate Structure — Pre-IPO Investments — Investments of Beijing Zhongchengma and Shanghai AMVC</i> ” in this prospectus

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“IPTV APPs”	APPs that allows access of our Mobile APPs through internet protocol television
“JG Web”	Jiguang web* (極光網) (jiguang.ci123.com), a webpage that was launched in 2009 for physically or mentally disabled children in the form of content pages, online community user blogs, education and training recommendations, which forms part of our PC Web
“Jiangsu Xi’an”	江蘇矽岸信息技術有限公司 (Jiangsu Xi’an Information Technology Company Limited*), a limited liability company established in the PRC on 4 July 2011 and is currently held as to 55% by Ms. Li Juan, 25% by Nanjing Zhongchengma, 15% by Mr. Cheng Li and 5% by Mr. Cheng Ke, and it does not form part of our Group
“Latest Practicable Date”	22 June 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which trading of the Shares first commences on GEM, which is expected to be on or about 8 July 2015
“Loyal Alliance”	Loyal Alliance Management Limited (忠聯管理有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and is direct wholly owned by Ms. Li Juan
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on and became effective from 19 June 2015 and as amended from time to time
“MII”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MII Notice”	The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知) a regulatory notice issued by MII in July 2006
“Mobile APPs”	APPs developed by us including CI APP, Pregnancy Reminder (孕期提醒) and Mother Zone (媽媽社區) that can be accessed through smart-phones, tablet computers and similar mobile devices

DEFINITIONS

“Mobile Web”	wireless application protocol platform that enables users to access our web-based Platforms on mobile devices such as mobile phones
“MOFCOM”	the Ministry of Commerce of the PRC (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC) (中華人民共和國商務部)
“Mr. Cheng Ke”	Mr. Cheng Ke (程柯), the representative of employees of Jiangsu Xi’an and an Independent Third Party
“Mr. Cheng Li”	Mr. Cheng Li (程力), an executive Director and our chief executive officer and our Controlling Shareholder
“Ms. Li Juan”	Ms. Li Juan (李娟), our founder, our chairperson and a non-executive Director, and our Controlling Shareholder
“Nanjing Fuyuan”	南京傅遠科技有限公司 (Nanjing Fuyuan Technology Company Limited*), a limited liability company established in the PRC on 30 March 2006 and is directly held as to 66.7% by Nanjing Xinchuang and therefore deemed to be an indirect subsidiary of our Company pursuant to the Contractual Arrangement; the remaining 33.3% equity interest of Nanjing Fuyuan were held as to 20% by 江蘇漢博教育培訓中心 (Jiangsu Hanbo Education Training Centre*) (“ Jiangsu Hanbo ”) and 13.3% by 江蘇東南大學資產經營有限公司 (Jiangsu Southeast University Asset Management Co., Ltd.*) (“ Jiangsu Southeast University Asset Management ”); each of Jiangsu Hanbo and Jiangsu Southeast University Asset Management is therefore a connected person at the subsidiary level of our Company for the purpose of GEM Listing Rules
“Nanjing Xibai”	矽柏(南京)信息技術有限公司 (Xibai (Nanjing) Information Technology Company Limited*), a limited liability company established in the PRC on 10 December 2014 and is an indirect wholly owned subsidiary of our Company
“Nanjing Xihui”	南京矽滙信息技術有限公司 (Nanjing Xihui Information Technology Company Limited*), a limited liability company established in the PRC on 24 May 2013 and is deemed to an indirect wholly owned subsidiary of our Company pursuant to the Contractual Arrangement

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“Nanjing Xile”	南京矽樂信息技術有限公司 (Nanjing Xile Information Technology Company Limited*), a limited liability company established in the PRC on 6 March 2015 and is held as to 51% by Nanjing Xibai and 49% by Mr. Zhao Hongwei (趙宏衛), and an indirect non-wholly owned subsidiary of our Company; Mr. Zhao Hongwei is therefore a connected person at the subsidiary level of our Company for the purpose of GEM Listing Rules
“Nanjing Xinchuang”	南京芯創微機電技術有限公司 (Nanjing Xinchuang Micro Machinery and Electric Technology Company Limited*), a limited liability company established in the PRC on 14 April 2005 and is deemed to an indirect wholly owned subsidiary of our Company pursuant to the Contractual Arrangement
“Nanjing Zhongchengma”	南京中誠馬投資諮詢有限公司 (Nanjing Zhongchengma Investment Consultation Company Limited*), a limited liability company established in the PRC on 10 December 2014, and is held as to 58% by Shanghai AMVC and 42% by Beijing Zhongchengma
“NBS”	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
“NCAC”	National Copyright Administration of the PRC (中華人民共和國國家版權局)
“our Platform” or “Platform”	the PC Web, the Mobile APPs, Mobile Web and IPTV APPs, details of which can be found in “ <i>Business — Layout of our Platform</i> ” in this prospectus
“Over-allotment Option”	the option to be granted by our Company to the Underwriters exercisable by the Sole Global Coordinator on behalf of the Underwriters, pursuant to which our Company may be required to allot and issue up to 37,500,000 additional new Shares, representing 15% of the Shares initially available under the Placing at the Placing Price, to, cover over-allocations of the Placing (if any) as further described in the section headed “ <i>Structure and Conditions of the Placing</i> ” in this prospectus
“PBOC”	the People’s Bank of China
“PC Web”	the Internet website at www.ci123.com
“Perfect Home”	Perfect Home Enterprises Limited, a limited liability company incorporated in the BVI on 8 August 2014 and is direct wholly owned by Ms. Li Juan

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“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company and the Selling Shareholder for cash at the Placing Price with selected institutional, professional and/or other investors in Hong Kong as described in “ <i>Structure and Conditions of the Placing</i> ” in this prospectus
“Placing Price”	the final price per Placing Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than HK\$1.45 per Placing Share and is expected to be not less than HK\$1.20 per Placing Share at which the Placing Shares are to be offered for subscription pursuant to the Placing, to be determined as further described in “ <i>Structure and Conditions of the Placing</i> ” in this prospectus
“Placing Shares”	initial 250,000,000 Shares, comprising 200,000,000 new Shares offered by us and 50,000,000 Sale Shares being offered by the Selling Shareholder, for subscription or purchase under the Placing together with, where relevant, additional new Shares that may be allotted pursuant to the Over-allotment Option
“PRC” or “China” or “State”	the People’s Republic of China, which, for the purpose of this prospectus, shall exclude the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), which was enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC Contractual Entities”	Nanjing Xihui and Nanjing Xinchuang
“PRC Government” or “State”	the central government of the PRC, including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context otherwise specifies, any of them
“PRC Legal Advisers”	King & Wood Mallesons
“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date to fix and record the Placing Price

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“Price Determination Date”	the date, expected to be on or about 30 June 2015 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) may agree, on which the Placing Price will be fixed for the purpose of the Placing
“Prime Wish”	Prime Wish Holdings Limited (冠望控股有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and is direct wholly owned by Ms. Li Juan
“Properous Commitment”	Properous Commitment Holdings Limited (富承控股有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and is direct wholly owned by Mr. Hsieh Kun Tse, a non-executive Director
“prospectus”	this prospectus being issued in connection with the Placing
“Q&A”	questions and answers
“Relevant Shareholders”	Ms. Li Juan and Mr. Cheng Li
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing, details of which are set out in the section headed “History and Corporate Structure — Reorganization” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sale Shares”	the 50,000,000 Shares to be offered for sale by the Selling Shareholder at the Placing Price under the Placing
“SAPPRFT”	State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局), which was formed after merging of General Administration of Press and Publication with State Administration of Radio, Film, and Television in March 2013
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Selling Shareholder”	Loyal Alliance, a company wholly owned by Ms. Li Juan
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai AMVC”	上海早鳥文化投資管理中心(有限合夥) (Shanghai AMVC Culture Investment Management Center (A Limited Partnership)*), a limited partnership established in the PRC on 25 February 2014, the general partner of which is Shanghai AMVC Investment Management Center (A Limited Partnership) (上海早鳥投資管理中心(有限合夥)), which is in turn co-founded and controlled by Mr. Hsieh Kun Tse, a non-executive Director; the remaining partner of Shanghai AMVC is an Independent Third Party
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted pursuant to resolutions passed by the Shareholders on 19 June 2015, the principal terms of which are summarised in the paragraph headed “ <i>Share Option Scheme</i> ” in Appendix IV “ <i>Statutory and General Information</i> ” of this prospectus
“Sharp Knight”	Sharp Knight Limited (勵鋒有限公司), a limited liability company incorporated in the BVI on 10 October 2014 and is direct wholly owned by Mr. Zhang Lake Mozi, an executive Director
“Shining World”	Shining World Investments Limited (世耀投資有限公司), a limited liability company incorporated in the BVI on 18 August 2014 and a direct wholly owned subsidiary of our Company
“SIETAC”	Shanghai International Economic and Trade Arbitration Commission (上海國際經濟貿易仲裁委員會)
“Star Universal”	Star Universal Holdings Limited (星際集團有限公司), a limited liability company incorporated in Hong Kong on 5 September 2014 and an indirect wholly owned subsidiary of our Company
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Loyal Alliance and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 37,500,000 Shares from Loyal Alliance for the purpose of covering over-allocation in the Placing

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	the underlying agreements of the Contractual Arrangement, details of which are described in the section headed “ <i>Contractual Arrangement</i> ” in this prospectus
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Telecom Licence Measures”	Measures on Administration of Telecommunications Business Operation Licensing (電信業務經營許可管理辦法) issued by MII on 5 March 2009 and came into effect on 10 April 2009, listed out the conditions, documents required and procedures for application for the telecommunications business operation licence and specify the requirements on usage of the licence and the code of conduct that telecommunications services providers must comply with
“Tianjin Chengbai”	天津誠柏股權投資合夥企業(有限合夥) (Tianjin Chengbai Shareholding Investment Partnership Enterprise (A Limited Partnership)*), a limited partnership established in the PRC on 21 April 2008, and an Independent Third Party
“Track Record Period”	the period comprising the two years ended 31 December 2014
“Underwriters”	the underwriters of the Placing listed in the paragraph headed “ <i>Underwriters</i> ” in the section headed “ <i>Underwriting</i> ” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing dated 29 June 2015 and entered into between, amongst others, our Company, the Selling Shareholder, the executive Directors, the Sole Sponsor, and the Underwriters, particulars of which are set forth in the section headed “ <i>Underwriting</i> ” of this prospectus
“United States” or “US”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“Victory Glory”	Victory Glory Holdings Limited, a limited liability company incorporated in the BVI on 8 August 2014 and is direct wholly owned by Mr. Cheng Li
“WFOE”	wholly foreign-owned enterprise within the meaning prescribed under the PRC laws

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“Winner Zone”	Winner Zone Enterprises Limited, a limited liability company incorporated in the BVI on 21 October 2014 and is direct wholly owned by Mr. Hsieh Kun Tse, a non-executive Director
“%”	per cent

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings ascribed thereto under the GEM Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise specified, amounts denominated in Renminbi have been translated, for the purpose of illustration only, into Hong Kong dollars and US dollars and vice versa at an exchange rate of HK\$1.00 = RMB0.7908 and US\$1.00 = RMB6.1287. Such conversions shall not be construed as representations that amounts in Renminbi, Hong Kong dollars or US dollars were or could have been or could be converted into Renminbi, Hong Kong dollars or US dollars (as the case may be) at such rates or any other exchange rates on such date or any other date.

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.

Translated English names of PRC natural persons, legal persons, governmental authorities and departments, institutions, facilities, certificates, titles and the like, or any descriptions for which no official English translation exists are unofficial translations from their corresponding Chinese names and included for identification purposes only. In the event of inconsistencies, the Chinese name(s) shall prevail. English translation of company names in Chinese or another language which are marked with “*” is for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“Android”	an operating system developed and maintained by Google Inc. used in touchscreen technology including, smart phones and tablets
“APP”	or “application software”, a computer programme designed to run on smart-phones , tablet computers, or similar mobile devices
“DAU(s)”	daily active users, the number of individuals who login to our Platform on a particular day, excluding repeated login
“domain name”	Internet name of a website which is registered with Network Solutions Inc., e.g. “www.ci123.com”
“e-commerce”	electronic commerce, the trading in products or services using computer networks, such as the Internet
“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communication
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including iPhones, iPods and iPads
“MAU(s)”	monthly active users, the number of individuals who login to our Platform during the 30-day period ending with the measurement date, excluding repeated login
“O2O”	online to offline
“PC”	Personal Computer
“PV”	page view, refers to a request to load a single web-page of an Internet website. Typically used in measurement the number of visits to a specific website and generally used as a criteria to determine the unit cost of an advertisement
“server”	a computer system that provides services to other computing systems over a computer network

GLOSSARY OF TECHNICAL TERMS

“UV”	user visit or user session refers to the presence of a user with specific IP address who has not visited the website within a period of time. By counting the number of visits or sessions of the user per day is a parameter for measurement of web traffic
“vertical platform”	a platform that provides a full range of web-based information and services for a specific industry, occupation or interest
“visitor”	a user who accesses a service regardless of whether such user is a registered user

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements relating to us that are based on the beliefs, intentions, expectations or predictions of the management of our Company for the future, as well as assumptions made by and information currently available to the management of our Company as of the date of this prospectus. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:-

- our strategies, plans, objectives and goals;
- our operations and business prospects;
- our financial conditions;
- our future developments, trends and conditions in the industry and geographical markets in which we operate;
- our sales and marketing activities;
- our capital expenditure plans, future capital needs and funding plans;
- our relationships with key clients and CBM related product/services providers;
- our ability to control costs;
- our dividend policy;
- our Directors' expectations and estimates on the operations such as the retention of financial, technical and human resources to meet routine operations and business expansions;
- the amount and nature of, and potential for, future development of our business;
- the regulatory environment and operating conditions in the industry and geographical markets in which we operate;
- the general economic trend and conditions of the PRC as well as the global market;
- certain statements in the section headed "Financial Information" in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends and risk management.

In some cases, we use the words "aim", "anticipate", "believe", "consider", "could", "continue", "estimate", "envisage", "expect", "forecast", "going forward", "intend", "may", "ought to", "perspective", "potential", "plan", "predict", "project", "seek", "should", "strive", "will", "would" and similar expressions, and the negative of the aforementioned words as they relate to us, are intended to identify forward-looking statements. Such forward-looking statements reflect our views as

FORWARD-LOOKING STATEMENTS

of the date of this prospectus with respect to future events, some of which may not materialise or may change. These statements are not an assurance of future performance or development, and are subject to certain risks, uncertainties and assumptions, including the factors described in this prospectus. You are therefore strongly cautioned that reliance on any forward-looking statements contained herein involves known and unknown risks or uncertainties which may materialise, or the underlying assumptions of which may prove incorrect. Actual results and events may differ materially from the forward-looking statements as a result of a number of factors, including but not limited to:-

- any changes in the laws, rules and regulations relating to any aspects of our business operations;
- general business, economic and market conditions, including capital market developments;
- changes or volatility in interest rates, foreign exchange rates, debt and equity prices, commodity prices, or other rates or prices;
- the actions and developments of our competitors as well as the manner in which the competitive landscape of the Internet content industry influences the demand for, and price of, our contents, services and products;
- various business opportunities that we may or may not pursue;
- level of persistency;
- our ability to identify, measure, assess, control and monitor risks in our business including our ability to manage and adapt to overall risk profile and risk management practices of our Group;
- our ability to meet customer's expectations and respond to changing customer's preferences; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, we do not intend to publicly update or otherwise revise the forward-looking statements in the prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, 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 due reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set forth in this section. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus before making any investment decision in relation to the Placing Shares. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and we have operations conducted outside Hong Kong and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. If any of the risks described below actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our Shares could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR CONTRACTUAL ARRANGEMENT

There is no assurance that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will be in compliance with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law (中華人民共和國外國投資法).

We believe that the Structured Contracts and such Contractual Arrangement with the PRC Contractual Entities does not infringe existing PRC laws and regulations or other mandatory requirements under PRC law. However, there can be no assurance that the Contractual Arrangement will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing PRC laws and regulations or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that such Contractual Arrangement would be deemed to be in compliance of the PRC laws and regulations.

PRC regulations currently limit foreign ownership in PRC companies that provide value-added telecommunication services (excluding on-line data processing and transaction processing services, also called operating e-commerce), which include operating the Internet content platform, to 50%. In addition, foreigners and wholly-foreign owned enterprises are currently not eligible to apply for required licences for operating the Internet content platform in the PRC (excluding a limited number of sectors for wholly-foreign owned enterprises located in Shanghai Free Trade Zone). We are a limited liability company incorporated in the Cayman Islands and we conduct our operations mainly in the PRC through Nanjing Xibai, our indirectly wholly-owned subsidiary. We and Nanjing Xibai are foreigners and wholly-foreign owned enterprises under PRC laws and accordingly are ineligible to apply for the relevant licences to operate the Internet content platform. In order to comply with foreign ownership restrictions, our business in the PRC are mainly operated through the PRC Contractual Entities. Nanjing Xibai has entered into a Contractual Arrangement with the PRC Contractual Entities and their respective equity holders, being the Relevant Shareholders. Details of the Contractual Arrangement are set out in the section headed “Contractual Arrangement” in this prospectus. As a result of the Contractual Arrangement, our Group is able to govern the financial and operating policies of the PRC Contractual Entities and to obtain substantially all economic benefits from the activities conducted by the PRC Contractual Entities. The rest of the economic benefits are retained by the PRC Contractual Entities as general working capital for their operation. Accordingly, the financial position and operating results of the PRC Contractual Entities are included in our Group’s consolidated financial statements as if they are our Group’s subsidiaries.

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In addition, the MII Notice issued in July 2006 requires that ICP licence holders or their shareholders directly own the domain names and trademarks used by such ICP licence holders in their daily operations. The MII Notice further requires each ICP licence holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its licence. In addition, all the value-added telecommunication service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. The MII Notice prohibits ICP licence holders from leasing, transferring or selling its ICP licence to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for their illegal operation of telecommunications business in the PRC. The MII Notice has imposed a more stringent regulatory environment on foreign investment in value-added telecommunication business, which introduces an increased risk of the Contractual Arrangement being challenged by the relevant PRC regulatory authorities. Therefore, we and our PRC Legal Advisers, cannot rule out the possibility that the relevant PRC regulatory authorities may require that we unwind the Contractual Arrangement as a result of their increased attention on companies such as ours following the introduction of the MII Notice.

In addition, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. We are aware of a press articles which reported that a Supreme People's Court ruling in October 2012 and two arbitral decisions from SIETAC in 2010 and 2011 invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law (民法通則). It has been further reported that these court ruling and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of the PRC Contractual Entities under such contractual structures to renege on their contractual obligations.

Pursuant to Section 52 of the PRC Contract Law, a contract is void under any of the following circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and therefore damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisers is of the view that the Contractual Arrangement does not fall within any of the five circumstances set forth above, is valid and binding and not in breach of the PRC laws and regulations currently in force. However, our PRC Legal Advisers further advises us that the possibility of the PRC legislative authorities, administrative authorities, courts or arbitration tribunals holding views contrary to that of our PRC Legal Advisers cannot be entirely ruled out. Please refer to the section headed "Contractual Arrangement" of this prospectus for further details.

If the Contractual Arrangement with the PRC Contractual Entities and its equity holder are adjudicated to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- the nullification of the Contractual Arrangement;

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- imposing economic penalties and/or confiscating the proceeds generated from the operation under the Contractual Arrangement;
- discontinuing or restricting operations of Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang;
- imposing conditions or requirements with which Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- taking other regulatory or enforcement actions that could be harmful to our business; and
- revocation of business licences and/or the licences of Nanjing Xibai and/or Nanjing Xihui and/or Nanjing Xinchuang.

Furthermore, in January 2015, the MOFCOM published the new draft of the Foreign Investment Law (中華人民共和國外國投資法) (the “**Draft New Law**”) for public comment, which if finally adopted, will have significant impact on the foreign investment regime of the PRC. Specifically, the Draft New Law introduces a new standard in defining the nature of a domestic enterprise. An onshore enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such enterprise’s ultimate control person(s) is/are solely PRC investors, upon the competent authorities’ approval. The Draft New Law was accompanied by the MOFCOM’s notes (the “**Notes**”) on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement which has established before the effectiveness of the Draft New Law. As a number of legislative stages have to be undergone before promulgation and implementation, the new Foreign Investment Law (the “**New Foreign Investment Law**”) will not be formally promulgated and implemented in the near future. For further details of the Draft New Law, please refer to the section headed “Contractual Arrangement — Development in the Legislation on Foreign Investment” in this prospectus.

As advised by the Company’s PRC Legal Advisers, the Draft New Law and the Notes are both drafts without any legal effect and are released for the purpose of public consultation, and a number of legislative procedures have to be undergone before the promulgation and implementation of the new Foreign Investment Law. Given this, there is uncertainty as to the potential impact of the Draft New Law.

Under the Notes, MOFCOM proposed three possible ways, namely the reporting, verification or approval regimes, details of which can be found in the section headed “Contractual Arrangement — Development in the Legislation on Foreign Investment — Draft new Foreign Investment Law” in this prospectus, to deal with existing contractual arrangement, or VIE structure, that has been established before the New Foreign Investment Law taking effect and operates restricted or prohibited foreign-entry areas of business. It is not certain which one of the three possible regimes will be finally

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adopted in the New Foreign Investment Law. Based on the Draft New Law, if the ultimate control person of the VIE structure is a PRC investor, depending on which regime is finally adopted, then by reporting to, verification or approval by MOFCOM, such VIE structure can continue to operate. Considering the abovementioned analysis and based on the facts that our Group is currently participating in a restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, our Controlling Shareholders, are PRC investors as defined under the Draft New Law subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, our PRC Legal Advisers are of the view that if the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will have a better chance to be permitted to continue as compared with other existing VIE structures which are engaged in businesses under “prohibited foreign-entry areas” and/or are not ultimately controlled by PRC investors, and the risk that our Group will be prohibited from retaining its Contractual Arrangement or the PRC Contractual Entities are prohibited from continuing their business operations is relatively low. On the premises, and subject to other amendments before its formal promulgation and implementation, the Draft New Law will have minimal impact on the Contractual Arrangement and the control over the PRC Contractual Entities by our Group and the operations of our Group as a whole. However, our PRC Legal Advisers cannot exclude the possibility that MOFCOM may have contrary or different interpretation of the Draft New Law and the Notes, and there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have material adverse impact on our Group at the time when the New Foreign Investment Law becomes effective. There is uncertainty as to whether our Group will be treated as domestic investment based on the New Foreign Investment Law. In the event our business is not regarded as being held by PRC investors and still belongs to the restricted or prohibited category under the New Foreign Investment Law or other future PRC laws and regulations including industry policies and regulations and practice of industry competent authorities, in the worst case scenario, we have to unwind the Contractual Arrangement and discontinue our business under the VIE structure, which contributes substantially to our revenue. As a result, we may be forced to dispose of our principal business to comply with such regulatory requirements and our Company will not be sustainable.

Any of these actions and situations may have a material adverse effect on our business, financial condition and results of operations. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of the PRC Contractual Entities or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of the PRC Contractual Entities.

We rely on the PRC Contractual Entities to provide certain services that are critical to our business and the breach or termination of any of our service agreements with the PRC Contractual Entities or any failure of or significant quality deterioration in these services could materially adversely affect our business, financial condition and results of operations.

We rely on the PRC Contractual Entities to provide certain services to our customers that are critical to our business, such as the operation of our Platform. Since we only control the PRC Contractual Entities through the Contractual Arrangement, we face certain risks with respect to our arrangements with the PRC Contractual Entities and the performance of the arrangement by the PRC

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Contractual Entities. If the PRC Contractual Entities were to breach any of its obligations under the Contractual Arrangement, we may not be able to find a suitable alternative service provider or be able to establish and operate our platform in a legal or timely manner. The breach by the PRC Contractual Entities of any of the Contractual Arrangements could materially adversely affect our business, financial condition and results of operations. Please refer to the section headed “Contractual Arrangement” for circumstances and conditions under which the Contractual Arrangement may be terminated by the parties thereto.

We depend upon the Contractual Arrangement with the PRC Contractual Entities in conducting our operations and receiving payments through the PRC Contractual Entities, which may not be as effective in providing operational control as direct ownership.

We have no equity ownership interest in the share capital of the PRC Contractual Entities, and conduct substantially our operations, and generate substantially our revenues, through the Contractual Arrangement, which may not be as effective in providing us with control over the PRC Contractual Entities as if they were direct wholly-owned subsidiaries.

The Contractual Arrangement is governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. If any of the PRC Contractual Entities or any of the Relevant Shareholders fails to perform its obligations under the Contractual Arrangement, we may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot be sure would be effective. The legal environment in the PRC is not, however, as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangement.

In addition, any suits, arbitration or any other form of legal or dispute resolution proceedings against the Relevant Shareholders may require all assets held by such shareholder to be kept under court custody during the proceedings. If such were the case, there is no assurance that the equity interests held by such shareholders in the PRC Contractual Entities can be transferred to our Group in accordance with the Contractual Arrangement.

Certain terms of the Structured Contracts under the Contractual Arrangement may not be enforceable under PRC laws.

The Contractual Arrangement provides for dispute resolution by way of arbitration in accordance with the arbitration rules of SIETAC in Shanghai, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our PRC Contractual Entities, injunctive relief and/or winding up of our PRC Contractual Entities. In addition, the Contractual Arrangement contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in other appropriate cases.

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However, we have been advised by our PRC Legal Advisers that the abovementioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the PRC Contractual Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangement.

PRC laws allow an arbitral body to award the transfer of assets of, or an equity interest in, the PRC Contractual Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against the PRC Contractual Entities as interim remedies to preserve the assets or shares in favour of any aggrieved party. Our PRC Legal Advisers is also of the view that, even though the Contractual Arrangement provides that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that the PRC Contractual Entities or any of its shareholders breaches any of the Contractual Arrangement, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the PRC Contractual Entities and conduct our business as well as our financial conditions and results of operations could be materially and adversely affected.

The pricing arrangement under the Contractual Arrangement among our members may be challenged by tax authorities.

We could face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts and/or the Contractual Arrangement with the PRC Contractual Entities were not entered into on an arm's length basis. If the PRC tax authorities determine that the Structured Contracts with the PRC Contractual Entities were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes which could result in higher tax liability.

The income tax rate applicable to our WFOE Nanjing Xibai is currently higher than the average income tax rate applicable to our PRC Contractual Entities but that may change subsequently. For example, as at the Latest Practicable Date, our WFOE Nanjing Xibai is in the process of applying for software enterprise certificate and expects to obtain such certificate in July 2015. If Nanjing Xibai is recognised as a software enterprise, the service fees received by Nanjing Xibai under the Contractual Agreement will be exempted from income tax for its first two profitable years (namely 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019. Under the relevant income tax law, our PRC Contractual Entities are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Nanjing Xihui, which was certified as software enterprise in April 2014, and is exempted from income tax for two years starting from the first year in which they generate taxable profit (namely 2014 and 2015), followed by a 50% reduction from 2016 to 2018.

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If, for the above reason or any other reasons, our WFOE Nanjing Xibai enjoys preferential corporate income tax rates which are lower than those applicable to our PRC Contractual Entities, this may result in adjustment on the taxable income of the PRC Contractual Entities in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporations charges to another member of our group for goods, assets, services, financing or the use of intellectual property. If Nanjing Xibai is unable to obtain the software enterprise certificate as expected, the effective income tax rate of our Group in 2015 is likely to be approximately 25% without factoring any other tax incentives which may be available to us under relevant tax law.

A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the PRC Contractual Entities, without reducing the taxable income of Nanjing Xibai at the same time. Any such adjustment could result in a higher overall tax liability of our Group. In other words, if the PRC tax authorities eventually do not agree with our pricing terms under the Contractual Arrangement, the maximum tax exposure will be the entire service fees charged by Nanjing Xibai to PRC Contractual Entities multiplied by the applicable statutory tax rate of 25%. As no transaction occurred under the Contractual Arrangement in 2013 and 2014, there was no tax exposure arising from the Contractual Arrangement in relation to our historical financial information during the Track Record Period. In addition, the PRC tax authorities may impose late payment fees and other penalties on the PRC Contractual Entities for any unpaid taxes. Our consolidated net income may be materially adversely affected if the PRC Contractual Entities tax liabilities increase or if it is subject to late payment fees or other penalties.

The Contractual Arrangement may result in increased taxable income of Nanjing Xibai, which will adversely affect our results of operations.

Under the Contractual Arrangement, the PRC Contractual Entities are required to pay to Nanjing Xibai (being a WFOE), service fees that equal to the profits at our PRC Contractual Entities after deducting losses in previous years, necessary operating costs, expenses and taxes. Such service fee payments reduce the PRC Contractual Entities' taxable income and correspondingly increase the taxable income of Nanjing Xibai, which, combined with the different income tax rates applicable to the PRC Contractual Entities and Nanjing Xibai (being a WFOE), may affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis.

If in the future a higher income tax rate is made applicable to our Nanjing Xibai than the PRC Contractual Entities, and if the PRC Contractual Entities transfer a larger portion of their before-tax profits to Nanjing Xibai the future, such transfer may result in increased income tax expenses for our Group on a consolidated basis, which may materially and adversely affect our results of operations, particularly, our net profit and net profit margin.

We depend on dividends and other distributions on equity paid by our members and there may be restrictions on our dividend distributions.

PRC legal restrictions permit payments of dividends by PRC entities only out of their retained earnings, if any, determined in accordance with the PRC accounting standards and regulations. Under the PRC law, our PRC subsidiary is also required to set aside at least 10% of their net profit each year

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to fund the designated statutory reserve fund until such reserve fund reaches 50% of its registered capital. These reserves are not distributable as cash dividends. As a result of these and other restrictions under the PRC laws and regulations, our PRC subsidiary is restricted in their ability to transfer a portion of its net assets to our Company in the form of dividends, loans or advances.

Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes.

We are a Cayman Islands holding company and all of our income is ultimately derived from dividends that are paid by our subsidiaries in the PRC. Under the EIT Law and its implementation rules, dividends payable to foreign enterprise investors that are non-resident enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place are subject to a 10% withholding tax since 1 January 2008, which may be reduced if a foreign enterprise investor is eligible for the benefits of a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries of which they directly hold at least 25% equity interests. As dividends from our PRC subsidiaries will be paid to us through our Hong Kong subsidiary that owns 100% equity interests in our PRC subsidiaries, those dividends may be subject to a withholding tax at the rate of 5%. However, according to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) (“**Administrative Measures**”) which was promulgated on 24 August 2009 and came into force on 1 October 2009, where a non-resident enterprise (as defined under the EIT Law) that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax arrangements. Furthermore on 27 October 2009, the State Administration of Taxation, or the SAT, promulgated the Circular on How to Understand and Recognise the “Beneficial Owner” in Tax Treaties (“**Circular 601**”). Circular 601 clarifies that a beneficial owner is a person having actual operations and this person could be an individual, a company or any other entity. Circular 601 expressly excludes a “conduit company” that is established for the purposes of tax avoidance and dividend transfers and is not engaged in actual operations such as manufacturing, sales and management, from being a beneficial owner. It is still unclear how Circular 601 is being implemented in practice by the SAT or its local counterparts. If our Hong Kong subsidiaries are not deemed to be beneficial owners of our PRC subsidiaries, those dividends may be subject to withholding tax at the rate of 10%, instead of 5%.

Moreover, under the EIT Law and its implementation rules, as discussed above, we may in the future be treated as a PRC tax resident enterprise by the PRC taxation authorities. In that case, dividends on our Shares and capital gains from sales of our Shares realised by foreign shareholders may be regarded as income from “sources within the PRC” and may be subject to a 10% withholding tax, subject to any reduction by an applicable tax treaty. If foreign shareholders are required to pay PRC withholding tax on dividends on our Shares or capital gains from any sales of our Shares, the value of the investment in our Shares may be materially and adversely affected.

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We rely on the licences held by the PRC Contractual Entities and the interruption of our relationship with the PRC Contractual Entities could adversely affect our business.

The ICP licences and other Internet operation licences which are necessary for our online operation are held or being applied for by the PRC Contractual Entities. Nanjing Xibai does not have such licences because of the relevant restrictions in the PRC laws and regulations. There is no assurance that the PRC Contractual Entities will be able to renew or obtain the licences when their terms expire with substantially similar terms as the ones it currently holds. Upon the expiry of the term of the relevant online operation licence of the PRC Contractual Entities, the then PRC laws and regulations may still restrict Nanjing Xibai from acquiring equity interest and/or assets from the PRC Contractual Entities. Further, our relationship with the PRC Contractual Entities is governed by the Contractual Arrangement entered into between Nanjing Xibai and the PRC Contractual Entities and their equity holders that are intended to provide us with effective control over the business operation of the PRC Contractual Entities, but such Contractual Arrangement may not be as effective in providing control over the application for and maintenance of the licences required for its business operations. Nanjing Xihui, Nanjing Xinchuang and/or any of the Relevant Shareholders could violate its Contractual Arrangement under the Structured Contracts, go bankrupt, suffer from difficulties in its business or otherwise become unable to perform their respective obligations under the Structured Contracts with us and, as a result, our operations and our reputation and business could be severely harmed.

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

Our founder, Ms. Li Juan, who is a Controlling Shareholder, the chairperson of the Board and a non-executive Director of our Company, and Mr. Cheng Li, who is a Controlling Shareholder, an executive Director and the chief executive officer of our Company, are also the shareholders of our PRC Contractual Entities, namely Nanjing Xihui and Nanjing Xinchuang. In particular, Ms. Li Juan holds 85% equity interest in the PRC Contractual Entities. Conflicts of interest between their dual roles in our Company and in our PRC Contractual 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 conflicts of interest, these individuals may breach or cause our PRC Contractual Entities to breach or refuse to renew the Contractual Arrangement that allows us to effectively control and receive economic benefits from our PRC Contractual Entities. If we cannot resolve any conflict of interest or dispute between us and such shareholders of our PRC Contractual 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. Furthermore, Ms. Li Juan and Mr. Cheng Li 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 Arrangement, each of them will use his/her best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangement and/or to enable the continuation of business operations of the PRC Contractual Entities as a result of any impact due to the promulgation and implementation of the New Foreign Investment Law and other future laws and regulations, details of which are set out in the section headed “Business

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— Development in the Legislation on Foreign Investment” in this prospectus. There is a risk that the Company’s public shareholders may not be able to successfully claim against the defaulting parties for breach of the Undertaking. These uncertainties may impede our ability to enforce the Contractual Arrangement with the PRC Contractual 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 may lose the ability to use and enjoy assets and licences held by the PRC Contractual Entities that are material to our business operations if the PRC Contractual Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The PRC Contractual Entities holds assets and licences that are material to our business operations. The Contractual Arrangement with the PRC Contractual Entities contains terms that specifically obligates their shareholders to ensure the valid existence of the PRC Contractual Entities and that the PRC Contractual Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate our PRC Contractual Entities, or should the PRC Contractual 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.

We do not have any insurance coverage for the risks relating to the Contractual Arrangement.

Our Company’s operation is dependent on the validity, legality and enforceability of the Structured Contracts, for further details in such regard please refer to the section headed “Risk Factors — Risks Related to Our Contractual Arrangement” in this prospectus. The insurance industry in the PRC is still at an early stage of development and there are limited business insurance products available in the market, and to the best knowledge of our Directors, no insurance products specifically designed for protecting the risks relating to the Contractual Arrangement are available in the market. Further, it is not compulsory for an Internet content service provider and operator to maintain an insurance policy to cover risks relating to the Structured Contracts under the applicable PRC laws and regulations. Therefore, we have not yet taken out any insurance to cover risks relating to the Structured Contracts. If the Structured Contracts and/or Contractual Arrangement with the PRC Contractual Entities and their equity holders are adjudicated to be in violation of any existing or future PRC laws or regulations, or in the event that the relevant PRC regulatory authorities require that we unwind the Contractual Arrangement under the Structured Contracts, our business will be adversely affected.

A substantial amount of costs and time may be involved in transferring the ownership of the PRC Contractual Entities to us under the Exclusive Option Agreement.

The Exclusive Option Agreement provides Nanjing Xibai a right to acquire part or all of the equity interest in the registered capital of the PRC Contractual Entities at a nominal purchase price of RMB1.00 or at the lowest price permitted by PRC law, whichever is higher, under which Nanjing Xibai or its designee is entitled to acquire all or part of the assets of the PRC Contractual Entities from the Relevant Shareholders. Nevertheless, such rights can only be exercised by Nanjing Xibai as and

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when permitted by the relevant PRC laws and regulations, in particular, when there are no limitation on (i) foreign ownership in PRC companies that provide value-added telecommunications, Internet content and information services and (ii) the eligibility of foreign invested enterprises to apply for the required licence for operating an Internet content platform in the PRC. In addition, a substantial amount of costs and time may be involved in transferring the ownership of the PRC Contractual Entities to us if we choose to exercise the exclusive right to acquire all or part of the equity interest and assets in the PRC Contractual Entities under the Exclusive Option Agreement, which may have a material adverse impact on our Group's business, prospects and results of operation.

RISKS RELATED TO THE BUSINESS OF OUR GROUP

We rely on our major customers during the Track Record Period.

We rely on certain key customers for our business. Our top five customers accounted for approximately 53.0% and 48.0% of our revenue for the two years ended 31 December 2014, respectively. We have no long term contracts of more than 12 months with any of these customers. The decision by these key customers to cease using our service, or to dramatically reduce their order, could negatively impact our Group's operating results. It is part of our business strategies to increase the diversity of our user and customer base by continuing to improve our content and services. However, there is no assurance that we can successfully achieve that.

Our revenue is mainly generated through the Internet traffic of our Platform and any significant adverse impacts on our Platform could materially affect our business.

Our revenue relies on a large extent to the Internet traffic of our Platform. In particular, our marketing and promotional service, which accounted for over 99% of our revenue for the two years ended 31 December 2014, links directly to the Internet traffic of our Platform. Accordingly, should there be (i) any reduction in the number of users in our Platform or any decrease in their popularity in the markets we operate; (ii) any failure by us or third parties to make improvements, upgrades or enhancements to our Platform in a timely manner; (iii) any lasting or prolonged server interruption due to network failures or other factors; or (iv) any other adverse developments specific to our Platform, our business, financial condition and results of operations could be adversely affected.

The continuous development and introduction of new businesses may not be successful.

We believe that the operating environment of the Internet industry is changing rapidly. In order to maintain our profitability and financial and operational success, we must continuously introduce new features that are attractive to users to our Platform. It is part of our business strategies to devote substantial investments to improve the existing Mobile APPs and enhance the technical and other features of all Mobile APPs that can be downloaded through our Platform. The success of our Platform largely depends on our ability to anticipate and respond effectively to the ever changing customer preferences and demand. For instance, developing interactive family entertainment products that appeal to users requires substantial investments prior to their launch and significant commitments of future resources afterwards to sustain their attractiveness. Negotiation with third-party to introduce such products may take a long period of time, may be costly and may not lead to any agreement being reached.

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In addition, we commenced our e-commerce business in 2014. Given the short operating history of e-commerce, it is difficult to estimate future e-commerce operations, financial results and overall performance of our Group in e-commerce. Moreover, our business plan for developing our e-commerce business will depend upon the increased traffic from potential customers. We cannot assure you that there will be significant growth in our e-commerce business, or any such growth is sustainable.

There is no assurance that our new businesses will be attractive to users, will be launched as scheduled or will be able to compete with other Internet content platforms operated by our competitors. If we are not able to consistently introduce attractive features to our Platform successfully, our future profitability and growth prospects will decline.

Our supervising activities over the Internet may expose ourselves to potential claims from our users or any third parties.

In our daily supervision of the operation of our Platform or during the investigation of third parties' intellectual property right enquiries against contents in our Platform, we may take actions to regulate the behaviour of our users, including the content providers, for instance, by freezing the user's account or even banning the user from logging-on to our Platform. Such supervising activities are essential to maintain a fair environment for our users as well as other third parties. However, if any of our supervising activities are found to be wrongly implemented, users may initiate legal proceedings against us for damages or claims in any nature arising thereof. As a result, our operation, business and financial performance may be adversely affected.

In addition, our Platform is open to information and content. Given the large volume of content uploaded, we do not have the ability to identify and remove all potentially infringing content on our Platform. There can be no assurance that our (i) Internet content, the contents posted by users on our discussion forum, Q&A sessions, user blogs and other areas on our Platform, (ii) the products to be sold in our e-commerce business and (iii) intellectual property used in our normal course of business do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. We may in the future be subject to claims and legal proceedings relating to the intellectual property of others in the ordinary course of our business. In particular, if we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, may be ordered to pay a fine and may incur licensing fees or be forced to develop alternatives. In serious cases, the operating permits of the websites engaging illegal activities may be revoked.

Further, different jurisdictions may impose different protections for copyrights, and the claims in other jurisdictions may result in potentially larger damages than the ones which could have been imposed in the PRC. In addition, we cannot ensure each developer has the legal right to licence such content to us as stipulated in our agreements. If any purported licensor does not actually have sufficient authorization relating to the licenced content or right to licence an authorised work to us, we may be subject to claims of copyright infringement from third parties, and we cannot ensure we can be fully indemnified by the relevant licensor for all losses we may incur from such claims.

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In respect of the content and information offered by users of the discussion forum, Q&A sessions, user blogs and other areas on our Platform, there can be no assurance that members of our editorial department or the forum administrator (in respect of the discussion forum) have the ability to fully verify the accuracy of such content or information. Accordingly, we may in the future be subject to claims and legal proceedings relating the damage suffered from the use of such content or information.

Any such claims in the PRC, or elsewhere, regardless of their merit, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party in the PRC, or elsewhere could cause us to pay substantial damages, may result in harm to our reputation or may require us to pay ongoing royalties or may subject us to injunctions requiring us to remove content or take other steps to prevent infringement, each of which could prevent us from pursuing some or all of our business and result in our users and advertising customers or potential users and advertising customers deferring or limiting their use of our services, which could materially adversely affect our financial condition and results of operations.

Our Group may be requested to obtain certain licences and failure to do so may have an adverse effect on our business and result of operations.

Our Group is required to obtain applicable licences, permits and approvals from different PRC regulatory authorities in order to conduct our business. Over the past several years, various governmental authorities in the PRC have issued regulations on specific aspects of Internet content and services. Certain regulations require operators to obtain licences, permits or approvals that were not required previously. There can be no assurance that the government authorities will not continue to issue new regulations governing the Internet industry that will require our Group to obtain additional licences, permits or approvals in order to operate our existing business or will prohibit our Group from engaging in those types of business to which the new requirements will apply. Among other things, new regulations or new interpretations of existing regulations could increase our Group's costs of doing business and prevent our Group from efficiently delivering services and products over the Internet.

For example, the PRC Contractual Entities Nanjing Xihui and Nanjing Xinchuang obtained the ICP licences and such licences will expire on 9 October 2019 and 18 November 2019 respectively. Our Group has taken all necessary measures to maintain the validity of the ICP licences, including participating in the required annual review, and our Group will renew the ICP licences within 90 days before the expiration of ICP licence in accordance with the Telecom Licence Measures (電信業務經營許可証管理辦法). Our Group's qualification to engage in Internet content services will be adversely affected should we fail to renew the ICP licence.

Our Platform may contain undetected programming errors or other defects and encounter external interruptions.

Our Platform may contain undetected programming errors or other defects and we face the challenge of external interruptions. For example, parties unrelated to us may develop programmes to interrupt the operation of our Platform. Users may also develop programmes or use other means to

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infringe contents of our Platform. The occurrence of undetected errors or defects in our Platform, and our failure to discover and stop the external interruptions could disrupt our operations, damage our reputation and weaken our users' experience. As a result, such errors, defects and external interruptions could adversely affect our business, financial condition and results of operations.

Our Group relies on the provision of marketing and promotional service as a significant part of our future revenue, but the provision of such service is subject to many uncertainties which could cause our revenue to decline.

Our Group's revenue growth is largely dependent on the growth of our business in the provision of marketing and promotional service. The growth of Internet advertising in China is subject to many uncertainties, many of which are beyond our control, including but not limited to:

- the retention and expansion of a large base of users possessing demographic characteristics attractive to advertisers;
- the maintenance and enhancement of our Platform in a cost effective manner;
- increased competition and potential downward pressure on Internet advertising prices and limitations on webpage space;
- a change in government policy that would curtail or restrict our online marketing and promotional services;
- the acceptance of online platform as an effective way for advertisers to market their businesses; and
- the development of independent and reliable means of verifying levels of online advertising and traffic.

If the Internet fails to remain widely accepted as a media platform, our Group's ability to generate increased revenue could be negatively affected.

Further, the development of web software that blocks Internet advertisements before they appear on a user's screen may hinder the growth of online marketing. As a result, such advertisements will not be tracked as a delivered advertisement and advertisers may choose not to advertise on the Internet or on our Platforms because of the use by third parties of Internet advertisement blocking software.

In addition, the growth of advertising on our Platform depends on the growth of the demand for CBM related information and products. Any slow-down in the growth of the demand could have a material adverse effect on the advertising revenue on our Platform. The growth of such demand is affected by the economy of China and government policy. For instance, the "Two-child Policy" has been implemented in China since 2014. Such policy is for couples where either the husband or the wife is from a single child family to have two children in China. Upon the implementation of the "Two-child Policy", the need for CBM information and related products would significantly increase, which in turn would incentivize CBM product retailers and manufacturers to advertise more so as to

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absorb the increasing market share. However, the “Two-child Policy” is still at its early stage of implementation and so it is still uncertain if it will be amended or even abolished in the near future, which can add to uncertainties as far as our business planning is concerned. Other factors that could limit our growth in China are the wealth of middle class people in China and the supplies of CBM related products. The deterioration of such factors and uncertainties would have a material adverse effect on the advertising revenue on our Platform.

Our revenue and results of operations are susceptible to changes in promotion patterns of our customers.

Historically, the fourth quarter of each year generally contributes the largest portion of our annual revenues as a result of increased advertising and promotion activities, which is primarily due to the fact that (i) the fourth quarter is the traditional shopping season, and customers typically allocate a significant portion of their marketing budgets to the fourth quarter; and (ii) a number of large-scale promotions usually occur in the fourth quarter, such as Singles Day on 11 November, which has become an annual promotional shopping day in China, and various promotion activities during the Christmas period. In comparison, marketing activity level tends to become lower after the fourth quarter’s spending.

Any changes to the promotional patterns of our customers may materially affect the distribution of revenue and results of operations for the relevant period.

The discontinuation of any preferential tax treatments or tax refunds currently available to our Group in the PRC could materially and adversely affect our business, financial condition and results of operations.

Certain of our subsidiaries enjoyed preferential corporate income tax rates which were lower than the standard tax rate during the Track Record Period as approved by the relevant tax authorities or operated in areas with preferential corporate income tax policies in the PRC.

On 16 March 2007, China’s EIT Law was announced, followed by the announcement of the related detailed implementation regulations on 6 December 2007, with both taking effect on 1 January 2008. Under the EIT Law, foreign-invested enterprises and domestic companies are subject to a uniform tax rate of 25%, which is lower than the previous uniform tax rate of 33%. Changes to the PRC taxation laws, rules and regulations mean that comparisons between our past post-tax financial results may not be meaningful and should not be relied upon as indicators of our future performance. Furthermore, there can be no assurance that there will be no further changes to the PRC tax laws that could adversely affect us. In addition, any increase in our EIT rate in the future due to the introduction of the EIT Law could have an adverse effect on our financial condition and results of operations.

Pursuant to relevant laws and regulations in the PRC and with approval from the responsible tax authorities, Nanjing Xihui has been qualified as a “Software Enterprise” and is exempted from income tax for two years starting from its first profitable year subsequent to obtaining the said qualification and is entitled to a preferential tax rate of 12.5% from 2016 to 2018. There is no assurance that

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Nanjing Xihui will continue to receive the preferential tax treatment after 2018. Furthermore, as a result of the Contractual Arrangement, Nanjing Xibai has taken over the operational functions of Nanjing Xihui and facilities and personnel of Nanjing Xihui necessary for provision of the relevant services under the Contractual Arrangement have been transferred to Nanjing Xibai while Nanjing Xihui remains the billing entity and continues to provide customer support services only. Such adjustment may affect the qualification of Nanjing Xihui as a “Software Enterprise” and entitlement to the relevant preferential tax treatment. If Nanjing Xihui fails to pass the annual inspection and loses the qualification of the Software Enterprise in 2015, Nanjing Xihui will be subject to income tax of 25% in 2015. Also please refer to the section headed “Risk factors — The pricing arrangement under the Contractual Arrangement among our members may be challenged by tax authorities.” and “Risk factors — The Contractual Arrangement may result in increased taxable income of Nanjing Xibai, which will adversely affect our results of operations.” in this prospectus for tax related risk factors associated with the Contractual Arrangement.

Any unauthorized use of our brand name or any other intellectual property by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation.

We regard our copyrights, service marks, trademarks, trade secrets and other intellectual property as critical to our success. We have developed “**育儿网**” into a strong and well-recognized brand. For the two years ended 31 December 2013 and 2014, almost all of our revenue are derived from the provision of marketing and promotional service. Our continuing success and growth therefore depends on our ability to protect and promote our brand and other intellectual property rights.

We generally rely on trademark and copyright law and confidentiality agreements with our employees, business partners and others to protect our intellectual property rights. However, as advised by our PRC Legal Advisers, the brand logo of “**育儿网**” is not a registrable trademark in the PRC. Unauthorized use of our intellectual property by third parties may adversely affect our business and reputation. As a result, competitors and other third parties may create brand logos or invent keywords that are confusingly similar to our brand logo in Internet search engine programs in order to divert potential users from us to their websites.

Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without authorisation. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may drive potential users away from our Platform, which could harm our reputation and materially and adversely affect our results of operations.

Furthermore, the validity, enforceability and scope of protection of intellectual property in Internet-related industries are uncertain and still evolving. In particular, the laws of the PRC and certain other countries are uncertain or do not protect intellectual property rights to the same extent as do the laws of Hong Kong and other jurisdictions.

Moreover, litigation may be necessary in the future to enforce our Group’s intellectual property rights to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Future litigation could result in substantial costs and diversion of resources.

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We rely on key personnel and our business may be severely disrupted if we lose the services of our key executives and employees.

Our future success is heavily dependent upon the continued service of our key executives, particularly Mr. Cheng Li, who is our executive Director, our chief executive officer and a substantial shareholder of our Company. We rely on his expertise in our business operations. If one or more of our Group's key executives and employees are unable or unwilling to continue in their present positions, we may not be able to replace them easily and our business may be severely disrupted. In addition, if any of our key executives or employees joins a competitor or forms a competing company, we may lose customers and suppliers and incur additional expenses to recruit and train personnel. Each of our Group's executive officers has entered into an employment agreement with confidentiality undertakings with our Group. However, the degree of protection afforded to an employer pursuant to confidentiality undertakings governed by PRC law may be more limited when compared to the degree of protection afforded under the laws of Hong Kong and other jurisdictions. We do not maintain key-man life insurance for any of our key executives.

Our Group also relies on a number of key IT staff for the operation of our Platform. Given the competitive nature of the industry, the risk of key IT staff leaving our Group is high and could have a disruptive impact on our operations.

We do not maintain any property or business insurance coverage.

Our Group does not maintain any insurance for our properties or business. In particular, our Group does not maintain insurance policies covering losses related to our Group's information systems or potential product liability, and our Group does not have business interruption insurance. Insurance companies in China offer limited business insurance products and do not, to our Directors' knowledge, offer business interruption insurance. Any property damage, business disruption, litigation or natural disaster might result in substantial costs and diversion of our Group's resources.

We may not be able to maintain a high gross profit margin in the future.

Generally speaking, companies engaged in provision of marketing and promotional service via online platforms are more likely to record high gross profit margins. We have historically focused on provision of marketing and promotional service through our Platform, and for the two years ended 31 December 2014, we have attained a gross profit margin of 88.9% and 91.1% respectively. However, leveraging on our brand recognition and heavy Internet traffic seeking for CBM content and services, we commenced our e-commerce business in September 2014. In respect of our e-commerce business, we act as an online retailer and customers may purchase by placing online orders with us. We place orders with distributors, product manufacturers or other online platforms directly. Gross profit is derived from the difference between the online selling price set by us and the price that we pay to such suppliers after deducting related staff costs and business taxes and surcharges. Therefore, the gross profit margin derived from e-commerce business is much lower than that of provision of marketing and promotional service. In 2014, only 0.8% of our total revenue was generated from e-commerce business. If the percentage of the revenue generated from e-commerce business over our total revenue increases significantly following the expansion of our e-commerce business in the future, our overall gross profit margin will decline accordingly.

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In addition, any disruption to our business plans, changes in Internet traffic pattern, seasonality fluctuations, etc. may have an adverse impact on our revenue. Other economic factors such as inflation and increase in employee remuneration may result in an increase in cost of sales, which together may reduce our gross profit margin.

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

We collect, receive, store and process personal information and other data from users of our Platform. Similar to other providers of Internet content services and operators of Internet platforms, we are subject to risks of hacking. Unauthorized users may gain access to or control of other user's personal account and their personal data for malicious purposes.

In addition to standard data security measures such as passwords and firewalls, we seek to protect user's information and account by employing comprehensive content filters, such as auto-detecting and blocking the appearance of phone numbers or bank account numbers to ensure that contents posted by our users on our discussion forum, Q&A sessions, user blogs or other areas on our Platform are screened to prevent disclosure of personal information, the use of abusive language and other inappropriate behavior. We may impose bans on users who are found to have engaged in inappropriate behavior. We collect personal data from registered users with their prior consent in order to understand users and their needs better. We also rely on our internal system to record users' various operation data. If privacy concerns or regulatory restrictions prevent us from collecting or using this information or there are any detects under our internal system, the analysis of our target market may not be accurate. Further, we rely solely on the information provided by registered users and do not verify the authenticity of such data. If the information that we collect is materially inaccurate or false, this may also adversely affect our business implementation and monetization strategies.

Despite our efforts to employ security features to safeguard user information, there is no guarantee that we can successfully keep our users free from inappropriate behavior, offensive contact or other acts that violate the privacy of our users. Any failure or perceived failure by us to (i) prevent our users' exposure to such infiltration, (ii) comply with our privacy policies, our privacy-related obligations to users or other third parties, or any privacy laws or regulations, or (iii) any compromise of security that results in the unauthorized release or transfer of personally identifiable information or user's personal data, may result in governmental enforcement actions, litigation or public statements against us by our users, consumer advocacy groups or others, which would detrimentally affect our reputation, and materially and adversely affect our business.

We are subject to product liability risk for the goods sold and services provided on our Platform.

Manufacturers and sellers of sub-standard or defective products in the PRC may be liable for loss and injury caused by such products. Under the Code of the Civil Law of the PRC (中華人民共和國民法通則) (the "PRC Civil Code") which came into effect on 1 January 1987, where a sub-standard product causes proprietary damage or physical injury to any person, the manufacturer or seller of such sub-standard product may be subject to civil liability. Under the PRC Law on Product Quality (中華人民共和國產品質量法) (the "PRC Product Quality Law"), which came into effect on 1 September 1993 and was amended on 8 July 2000, manufacturers are responsible for the quality of the

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products they produce such that the products do not potentially endanger the safety of any individual or property. The products must meet certain national or industrial standards (if applicable). Further, the Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) (the “**PRC Consumers Protection Law**”), which came into effect on 1 January 1994 and was amended on 25 October 2013, gives protection to the legal rights and interests of consumers in connection with the safety of individuals and properties in the purchase or use of goods or services. The PRC Consumers Protection Law applies to business operators in the PRC in the provision of goods manufactured or sold by them and the business providing services, and to consumers that purchase or use merchandise or receive services for consumption requirement in the course of everyday life. Our Group and our products are subject to the PRC Civil Code, the PRC Product Quality Law, the PRC Consumers Protection Law and other related laws and regulations in this respect.

As such, any defects in the products developed or distributed by us could result in material and adverse customer reaction towards our Group, resulting in negative publicity and additional time, effort and expenditures to correct the problems and settle or defend the claims against our Group. As at the Latest Practicable Date, we have not experienced any material claim against us which involves monetary compensation in this regard. In addition, to enhance interaction among users of our Platform, we periodically organize social activities such as food tasting and free product trials. The food and products are sponsored by advertising agents, products manufacturers or other online media platforms. If any of these food or products causes any loss or damage to the user, it may result in claims against us.

There is no assurance that we will not encounter any of the abovementioned claims in the future. Any such claims may have an adverse monetary impact. Even if such claims are found meritless, the resulting negative publicity may cause significant damage to our reputation.

If third parties claim that our smart-hardware devices infringe their intellectual property rights, we may incur liabilities and financial penalties and we may have to redesign or discontinue selling any affected products.

Whether a product infringes a patent involves a complex analysis of the legal and factual issues, determination of which will often be difficult and time-consuming. Any claims of patent or other intellectual property infringement, even those without merit, will be expensive and time consuming to defend, not to mention the loss in association with ceasing the manufacturing or selling of smart-hardware devices that incorporated the intellectual property alleged to have been infringed. Should we be found liable, we may be required to redesign, re-engineer or rebrand the smart-hardware device, or we may be forced to enter into royalty or licensing agreements in order to lawfully use the said intellectual property, the terms of which may not be acceptable to us.

RISKS RELATED TO THE INDUSTRY IN WHICH WE OPERATE

We may be adversely affected by uncertainties and changes in the PRC laws and regulations of Internet and value-added telecommunications.

The PRC government heavily regulates the Internet and value-added telecommunications service sectors in the PRC, the restrictions of content on the Internet and value-added telecommunications

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services and the licensing and permit requirements for companies in the Internet and value-added telecommunications service sectors. Since these laws, regulations and legal requirements are relatively new and evolving, their interpretation and enforcement may involve significant vagueness, which leads to substantial uncertainties regarding the operations and activities of Internet and value-added telecommunications services in the PRC. Our current or previous services or businesses could be deemed to be in violation of the PRC laws or regulations, and we may be subject to fines or other penalties and/or may have to cease such businesses or services.

In addition, relevant regulations require a registration with the relevant local authority of Ministry of Commerce of the PRC for any licence agreement with a foreign licensor or licensee that involves an import or export of technologies, including Internet software into or outside the PRC. Without the registration, a party may be restricted to remit the licensing fees out of the PRC to any foreign licensors; neither can we collect any licensing fees to the PRC from any foreign licensees. Furthermore, the NCAC requires us to register copyright licence agreements relating to imported software. Without the NCAC registration, we are not allowed to publish or reproduce the imported software in the PRC. As at the Latest Practicable Date, we did not publish or reproduce any imported software in the PRC. If we intend to publish or reproduce any imported software in the future, we may be subject to such restrictions under the relevant laws and regulations in the PRC and failure of complying with such restrictions may adversely affect our business operations.

We may subject to potential more competition as we enter into the e-commerce market which could reduce our market share and adversely affect our financial performance.

There are many companies that distribute online content and services targeting Chinese users. We compete primarily with other online platforms as well as PRC-based online platforms. These sites compete with our Group for visitor traffic, advertising revenue e-commerce transactions and potential business partners. The Internet market in China is rapidly evolving. Competition is intense and expected to increase significantly in the future.

We compete with other platforms in China primarily on the following bases:

- brand recognition;
- quality and volume of traffic;
- quality of website and content;
- quality of online marketing and e-commerce services;
- effectiveness of sales and marketing efforts; and
- price.

Our e-commerce services may compete with other e-commerce service providers that make use of our marketing and promotional services. Such competition may affect their decision to use our marketing and promotional services.

RISK FACTORS

Our existing competitors may in the future achieve greater market acceptance and gain a greater market share. It is also possible that new competitors may emerge and acquire significant market share. In addition, operators of leading websites or Internet service providers currently offer, and could expand, their online products and services targeting China. Such entities may cooperate with other organizations, such as telecommunication operators, in China to accelerate their entry into, and enhance their competitiveness in, the Chinese market. Our Directors believe the rapid increase in China's online population will draw more attention from these multinational players to the PRC Internet market. We also compete with traditional forms of media, such as newspapers, magazines, radio and television, for advertisers and marketing revenues.

Unexpected network interruptions caused by system failures may result in reduced visitor traffic, reduced revenue and harm to our reputation.

Our website operations are dependent upon web browsers, Internet service providers, content providers and other website operators in China, which have experienced system failures and system outages in the past. Any system failure or inadequacy that causes interruptions in the availability of our services, or increases the response time of our services, as a result of increased traffic or otherwise, could reduce our user satisfaction, future traffic and our attractiveness to users and advertisers.

In addition, Internet usage could decline if any well-publicised compromise of security occurs. "Hacking" involves efforts to gain unauthorised access to information or systems or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment. Hackers, if successful, could misappropriate proprietary information or cause disruptions in our service. We may be required to incur additional expenses and other resources to protect our platforms against hackers. There can be no assurance that any measures we may take will be effective. In addition, the inadvertent transmission of computer viruses could expose our Group to a material risk of loss or litigation and possible liability, as well as materially damage our reputation and decrease our user traffic.

Control on Internet access and the distribution of news, information or other content on Internet in the PRC may adversely affect our business.

The PRC has enacted laws and regulations governing Internet access and the distribution of news, information or other content, as well as products and services, through the Internet. In the past, the PRC government has stopped the distribution of information through the Internet when it believes that it violates the PRC law or is deemed not acceptable by the relevant PRC authorities. The MII, the SAPPRFT and the Ministry of Culture promulgated regulations which prohibit Internet contents from being distributed through the Internet if such contents are found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise security or secrets of the PRC.

RISK FACTORS

If any contents of our Platform thereof we offer or expect to offer through our networks were deemed to violate any of such content restrictions, we would not be able to continue such offerings and could be subject to penalties, including confiscation of income, fines, suspension of business and revocation of our licence, which could adversely affect our business, financial condition and results of operations.

RISKS RELATED TO THE PRC

Even if we are in compliance with PRC governmental regulations relating to licensing and foreign investment restrictions, the PRC Government may prevent us from distributing, and we may be subject to liability for content that it believes is inappropriate.

The PRC has enacted regulations governing Internet access and the distribution of news and other information. In the past, the PRC Government has stopped the distribution of information over the Internet that it believes to violate PRC laws, including content that is obscene, incites violence, endangers national security, is contrary to the national interest or is defamatory. In addition, we may not publish news items, such as news relating to national security, without permission from the PRC Government. Furthermore, the Ministry of Public Security has the authority to make any local Internet service provider block any website maintained outside the PRC at its sole discretion. Even if we comply with PRC governmental regulations relating to licensing and foreign investment prohibitions, if the PRC Government were to take any action to limit or prohibit the distribution of information through our network or to limit or regulate any current or future content or services available to users on our network, our business would be adversely affected.

We are also subject to potential liabilities for content on our websites that is deemed inappropriate and for any unlawful actions of our registered users and other viewers of our systems under regulations promulgated by the MII, such potential liabilities including, but not limited to, the imposition of fines or even the shutting down of the website.

Furthermore, we are required to delete content that clearly violates the laws of the PRC and report content that we suspect may violate PRC laws. Despite regular surveillance by our system administrators, we may have difficulty determining the type of content that may result in liability for our Group and we may be prevented from operating our platforms if our judgment is wrong.

Activities of Internet content providers are or will be subject to additional PRC regulations, which have not yet been put into effect. Our operations may not be consistent with these new regulations when put into effect, and, as a result, we could be subject to severe penalties.

The MII has stated that the activities of Internet content providers are subject to regulation by various PRC governmental authorities, depending on the specific activities conducted by the Internet content provider. Various government authorities have stated publicly that they are in the process of preparing new laws and regulations that will govern these activities. The areas of regulation currently include online advertising, online news reporting, online publishing, the provision of industry-specific

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information over the Internet and foreign investment in value-added telecommunication services. Our operations may not be consistent with these new regulations when put into effect and, as a result, our Group may be subject to severe penalties as discussed above.

Our business could be affected by changes in China’s economic, political or social conditions or government policies.

A significant portion of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC Government has implemented measures since the late 1970s emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Government also exercises significant control over the PRC’s economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on our Group. For example, our financial results may be adversely affected by government control over foreign investment in the PRC Internet industry that is applicable to our Group. The PRC Government also implemented certain measures, including the MII Notice, in an attempt to strengthen the restriction on foreign investment in the PRC telecommunications industry. The PRC regulatory authorities may challenge the nature of our Group’s Contractual Arrangement. If the Contractual Arrangement are found to be in violation of the MII Notice, it would materially and adversely affect our Group’s business, financial condition, results of operations and prospects.

In addition, we are subject to restrictions on foreign investment policies imposed by the PRC law from time to time. For instance, under the catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) issued in 1997 and amended in 2002, 2004, 2007, 2011 and 2015, some industries are categorized as sectors which are encouraged, restricted or prohibited for foreign investment. As the catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render other parts in addition to value-added telecommunication services or all of our businesses to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, we may be forced to sell or restructure our businesses which have

RISK FACTORS

become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be materially adversely affected.

The PRC legal system has inherent uncertainties that could materially and adversely affect our Group.

The PRC legal system is based upon written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited value as precedents. Since 1979, the PRC legislative bodies have promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the PRC has not developed a fully integrated legal system and the array of new laws and regulations may not be sufficient to cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, published government policies and internal rules may have retrospective effects and, in some cases, the policies and rules are not published at all. As a result, our Group may be unaware of the violation of these policies and rules until some time later. Our Group's Contractual Arrangement with our affiliated entities are governed by the laws of the PRC. The enforcement of these contracts and the interpretation of the laws governing these relationships are subject to uncertainty.

You may experience difficulties in effecting service of legal process, enforcing foreign judgements or bringing original actions in China based on Hong Kong or other foreign laws against our Group, our management or the experts named in the prospectus.

Governmental control of currency conversion may affect the value of the Shares.

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in Renminbi, which is currently not a freely convertible currency. Under the current structure, our income will be primarily derived from dividend payments from our PRC subsidiaries and other payments. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entities to remit sufficient foreign currency to pay dividends or other fees to our Company, or otherwise satisfy their foreign currency-dominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC Government may also at our discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents our Company from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

RISK FACTORS

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 Placing to make loans or additional capital contributions to our PRC subsidiary.

Any funds we transfer to our WFOE, namely Nanjing Xibai, 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 WFOEs 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 WFOEs is required to be registered with SAFE or its local branches, and WFOEs may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by MOFCOM 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 Nanjing Xibai. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Placing to capitalize our PRC operations may be negatively affected, which could adversely affect Nanjing Xibai's liquidity and our ability to fund and expand our business.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular No. 19. SAFE Circular No. 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. For further details of SAFE Circular No. 19, please refer to the section headed “Regulatory Overview—Laws and Regulations in Relation to Foreign Exchange—Conversion of Foreign Currencies” in this prospectus. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Placing within the business scope of Nanjing Xibai. SAFE Circular No. 19 may significantly limit our ability to transfer the net proceeds from the Placing or any other offering of additional equity securities to Nanjing Xibai or invest in or acquire any other companies in the PRC.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations, which may have a material adverse impact on our business and financial condition.

SAFE issued the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas 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》), or SAFE Circular 37 which became effective on 4 July 2014 and replaced the previous SAFE Circular 75. SAFE Circular 37 requires “PRC residents”, including PRC individuals and enterprises, to register with SAFE or its local branches in relation to their direct establishment or indirect control of an offshore special purpose vehicle. An offshore special purpose vehicle is an offshore entity used for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or

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interests. In addition, such PRC residents must update their foreign exchange registration with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a “PRC resident” as determined by SAFE Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are “PRC residents”, and we cannot provide any assurance that all of our shareholders and beneficial owners who are “PRC residents” will comply with our request to make, obtain, or update any applicable registrations or comply with other requirements required by SAFE Circular 37 or other related rules in a timely manner. If any of our shareholders who is a “PRC resident” as determined by SAFE Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities. We may also be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business and have a material adverse effect on our financial condition.

RISKS RELATED TO THE PLACING

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile.

Prior to the Listing, there has been no public market for the Shares. The Placing Price for the Shares will be the result of negotiations between the Sole Global Coordinator (on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder), and may differ from the market prices for the Shares after the Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, there can be no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares. The market price, liquidity and trading volume of the Shares may be volatile. There can be no assurance as to the ability of holders to sell their Shares or the price at which the Shares can be sold. As a result, shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Placing. Factors that may affect the volume and price at which the Shares will be traded include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments, and changes in laws and regulations in China. There is no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that the Shares may be subject to changes in price not directly related to our performance.

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There can be no assurance that dividends will be paid in the future at a rate similar to past rates.

The dividends declared by Nanjing Xihui for the two years ended 31 December 2014 amounted to nil and RMB19.7 million, respectively. There is, however, no assurance that future dividends will be paid at a similar level to past dividends and potential investors should be aware that the amount of dividends paid in the past should not be used as a reference or basis upon which future dividends are determined.

The declaration, payment and amount of any future dividends of our Group are subject to the discretion of our Directors, and will depend upon, among others, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors prevailing at the time. Our past dividend distributions are not indicative of the dividends that our Group may declare or pay in the future.

Purchasers of the Shares will experience immediate dilution and may experience further dilution if we issues additional Shares in the future.

The Placing Price of the Shares is higher than the net tangible asset value per Share issued to existing holders of our Shares. Therefore, you and other purchasers of the Shares in the Placing will experience an immediate dilution in pro forma net tangible asset value and existing holders of our Shares will receive an increase in net tangible asset value per Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Shares may experience dilution in the value of net tangible assets per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

There may be dilution because of the issuance of Shares pursuant to the options granted under the Share Option Scheme.

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. Further details of the Share Option Scheme are summarised in “Appendix IV — Statutory and General Information — Share Option Scheme”. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price.

Any issuance of new Shares upon exercise of the options granted under the Share Option Scheme will also lead to a dilution of our earnings per Share and net asset value per Share because the number of Shares outstanding will be increased as a result of such issuance.

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Future sales by our current shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by our current shareholders, or the possibility of such sales, could negatively impact the market price of the Shares and our ability to raise equity capital in the future at a time and price that it deems appropriate. The shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods ending six to twelve months after the date on which trading in the Shares commences on the Stock Exchange, details of which are set out in the section headed “Underwriting” in this prospectus. While our Directors are not aware of any intentions of the Controlling Shareholders to dispose of significant amounts of their Shares after the end of the lock-up periods, there is no assurance that they will not dispose of any Shares they may now own or in the future.

Forward-looking information may prove inaccurate.

This prospectus contains forward-looking statements and information relating to our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects” and similar expressions, as they relate to our business, are intended to identify forward-looking statements. Such statements reflect our Directors’ current beliefs with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should any of the underlying assumptions or information prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. We do not intend to update these forward-looking statements beyond adhering to on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange.

Investors may face difficulties in protecting their interests because our Company is incorporated under Cayman Islands laws, which may provide remedies to minority shareholders that are different from the laws of certain other jurisdictions.

Our Company’s corporate affairs are governed by our Memorandum and Articles of Association, and by the Companies Law and the common law of the Cayman Islands. Cayman Islands law relating to the protection of the interests of minority shareholders differs in some respects from that established under statutes and under judicial precedents in other jurisdictions. This may mean that the remedies available to our Company’s minority shareholders may be different to those they would have under the laws of other jurisdictions. Please see Appendix III to this prospectus for a Summary of the Constitution of our Company and the Cayman Islands Company Law.

RISK FACTORS

Certain facts and other statistics with respect to China, the PRC economy and our industries in this prospectus are derived from various official sources and may not be reliable.

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the PRC and international Internet industry and markets have been derived from various government publications. However, there can be no assurance of the quality or reliability of such source materials. They have not been prepared or independently verified by our Group, the Sole Global Coordinator, the Sole Sponsor, the Underwriters or any of their respective affiliates or advisers and, therefore, our Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Nonetheless, our Directors have taken reasonable care in reproducing these facts and statistics in this prospectus from their respective official sources.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangement which would constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules following the completion of the Placing. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 20 of the GEM Listing Rules in relation to the non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver are set out in the sections headed “Contractual Arrangement” and “Connected Transactions” of this prospectus.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 11.07 of the GEM Listing Rules, an issuer must appoint a company secretary who satisfies Rule 5.14 of the GEM Listing Rules. Rule 5.14 of the GEM Listing Rules provides that an issuer must appoint as its company secretary an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

We have appointed Mr. Zhang Lake Mozi, an executive Director and our chief financial officer, as one of our joint company secretaries. Mr. Zhang Lake Mozi does not possess the qualification as stipulated in Rule 5.14 of the GEM Listing Rules, and therefore he does not meet all the requirements under Rule 5.14 and Rule 11.07 of the GEM Listing Rules. We have appointed Ms. Ng Wing Shan, who possesses the qualification required under Rule 5.14, to act as another joint company secretary to provide assistance to Mr. Zhang Lake Mozi for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rule 5.14 and Rule 11.07 of the GEM Listing Rules.

Ms. Ng Wing Shan will work closely with Mr. Zhang Lake Mozi to jointly discharge duties and responsibilities as joint company secretaries and assist Mr. Zhang Lake Mozi to acquire the relevant experience as required under Rule 5.14 of the GEM Listing Rules. In addition, we will ensure Mr. Zhang Lake Mozi has access to relevant training and support to familiarise himself with the GEM Listing Rules and the duties required for a company secretary of a company listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rule 5.14 and Rule 11.07 of the GEM Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. Upon the expiry of such three-year period, the Stock Exchange will re-evaluate the experience of Mr. Zhang Lake Mozi to consider whether he will then have acquired the relevant experience within the meaning of Rule 5.14 and Rule 11.07 of the GEM Listing Rules and decide whether a further waiver will be necessary.

For further details about Mr. Zhang Lake Mozi’s qualifications and experience, please refer to the section headed “Directors and Senior Management — Directors — Executive Directors” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually take full responsibility, includes particulars given in compliance with the Companies Ordinance, 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 GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and is neither misleading nor deceptive;
- (b) there are no other matters the omission of which would render any statement herein or this prospectus as a whole misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall likewise not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of the respective directors, officers, agents, employees and/or representatives or any other person or parties involved in the Placing.

SELLING SHAREHOLDER

Details of the Selling Shareholder are set out in the paragraph headed “F. Other Information — 12. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Placing, and is published solely in connection with the Placing which is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator. The Placing Shares are fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement (including but not limited to the Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Placing Price). For further details about the Underwriters and the Underwriting Arrangements, please refer to the section headed “*Underwriting*” in this prospectus.

PLACING PRICE

The Placing Shares are being offered at the Placing Price, which is expected to be fixed by the Price Determination Agreement between the Sole Global Coordinator (for itself and on behalf of the

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, which is currently scheduled to be on or about 30 June 2015 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) may agree. If, for whatever reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) are unable to agree on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse. For full information relating to the determination of the Placing Price, please refer to the section headed “Structure and Conditions of the Placing” in this prospectus.

SELLING RESTRICTIONS

As at the Latest Practicable Date, no action has been taken to permit any offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Placing Shares will be required to confirm, or by his or her acquisition of the Placing Shares be deemed to confirm, that he or she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) on GEM. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 250,000,000 Placing Shares (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of options granted under the Share Option

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Scheme) comprising (i) the issue of 200,000,000 new Shares for subscription; and (ii) the offer for 50,000,000 Sale Shares for sale, which together representing 25% of our Company's issued share capital, will be in the hands of the public immediately following the completion of the Placing and upon Listing. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Under section 44B(1) of the Companies (Winding up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused prior to the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Save as disclosed herein, no part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the grant of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about 8 July 2015 under the GEM stock code 8361.

Shares will be traded in board lots of 2,000 Shares each and are freely transferrable.

Our Company will not issue any temporary document of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only securities registered on the register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange agrees otherwise.

Dealings in the Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or its joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in or the exercise of any rights in relation to, the Placing Shares. None of our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Placing Shares.

LANGUAGE

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

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

EXCHANGE RATE CONVERSION

For exchange rate conversions throughout this Prospectus, unless otherwise specified, or except in respect of transactions that have occurred at historical exchange rates, all conversions from Hong Kong dollars into US dollars were made at the rate of US\$1.00 to HK\$7.7500 and from Hong Kong dollars into Renminbi were made at the rate of HK\$1.00 to RMB0.7908. We make no representation and none should be construed as being made, that any of the HK dollar, US dollar and RMB amounts contained in this Prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Cheng Li (程力)	Room 605, Unit 3, No.25, Tai Ping Qiao South, Nanjing, Jiangsu Province, PRC	Chinese
Mr. Hu Qingyang (胡慶楊)	Unit 202, No. 50, Block 12, Long Pan Hua Yuan, Qin Huai District, Nanjing, Jiangsu Province, PRC	Chinese
Mr. Zhang Lake Mozi	10860 Dennis CR, Richmond, BC V7A 3S1, Canada	Canadian
<i>Non-executive Directors</i>		
Ms. Li Juan (李娟) (Chairperson)	No. 20, Jia Feng Road, Pudong District, Shanghai, PRC	Chinese
Mr. Wu Haiming (吳海明)	Room 504, Block 8, No. 28 Lan Yuan, Nanjing, Jiangsu Province, PRC	Chinese
Mr. Hsieh Kun Tse (謝坤澤)	9F-1, No. 96, Dadun 20th Street, Xitun District, Taichung, Taiwan	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wu Chak Man (胡澤民)	Room 2802, No. 1027, Chang Ning Road, Chang Ning District, Shanghai, PRC	Chinese
Mr. Zhao Zhen (趙臻)	8212, Salado Springs DR, Plano TX 75025-6925, the United States of America	American
Mr. Ge Ning (葛寧)	2-1, Wu Tong Yuan, Cui Ping Guo Ji City, Jiang Ning Development District, Nanjing, Jiangsu Province, PRC	Chinese

Please also refer to the section headed “Directors and Senior Management” for further details of the Directors.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sole Sponsor	China Everbright Capital Limited 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	China Everbright Securities (HK) Limited 36/F., Far East Finance Centre 16 Harcourt Road Hong Kong
Co-managers	BMI Securities Limited Units 909-916 9/F, Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong
	Innovax Capital Limited Office 1 1/F Lucky Building 39 Wellington Street Central
Reporting accountants	Ernst & Young Certified Public Accountants 22nd Floor CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law</i> Jun He Law Offices Suite 3701-10, 37/F Jardine House 1 Connaught Place Central, Hong Kong
	<i>As to PRC law</i> King & Wood Mallesons 17/F, One ICC Shanghai International Commerce Centre 999 Middle Huai Hai Road Xuhui District Shanghai 200031 The PRC

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

**Legal advisers to the Sole
Sponsor and the Underwriters**

As to Hong Kong law

Sidley Austin

39/F

Two Int'l Finance Centre

Central

Hong Kong

As to PRC law

Shu Jin Law Firm

24/F, Aerospace Skyscraper

No. 4019 Shennan Road

Shenzhen 518048

The PRC

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive, P.O. BOX 2681 Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in the PRC	Room 19F, 19/F., Gu Yang Shi Ji Building No. 600 Zhujiang Road Nanjiang, Jiangsu Province PRC
Principal place of business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's website	www.ci123.com <i>(information contained in this website does not form part of this prospectus)</i>
Compliance officer	Mr. Cheng Li
Joint company secretaries	Mr. Zhang Lake Mozi 10860 Dennis CR. Richmond, BC V7A 3S1, Canada Ms. Ng Wing Shan 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong <i>(associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom)</i>
Authorised representatives	Mr. Cheng Li Room 605, Unit 3, No. 25 Tai Ping Qiao South, Nanjing, Jiangsu Province, PRC Ms. Ng Wing Shan 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Audit committee	Mr. Wu Chak Man (<i>Chairperson</i>) Ms. Li Juan Mr. Ge Ning

CORPORATE INFORMATION

Remuneration committee	Mr. Ge Ning (<i>Chairperson</i>) Mr. Zhao Zhen Mr. Cheng Li
Nomination committee	Ms. Li Juan (<i>Chairperson</i>) Mr. Ge Ning Mr. Zhao Zhen
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bank	Bank of Communication (Xuanwu Branch) No. 519, Zhujiang Road, Xuanwu District Nanjing, Jiangsu Province, PRC
Compliance adviser	China Everbright Capital Limited 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong

INDUSTRY OVERVIEW

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by iResearch, which was commissioned by us, unless otherwise indicated. We believe that the sources of such information 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 in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator or any other party involved in the Placing and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned iResearch, an independent market research and consulting company, to conduct the analysis of and to report on, the online CBM industry in China for the period from 2010 to 2018. iResearch was founded in 2002 and is the leading market research and consulting company in Internet industry in China with 9 global offices and more than 400 industry consultants, research analysts, technology analysts and economist. We paid a fee of RMB 266,100, which we consider reflects market level.

iResearch Report

iResearch's independent research was undertaken through both primary and secondary research conducted in China. The primary research involved in-depth interviews with industry experts, enterprises and channels. The secondary research involved Internet research and comprehensive in-house research of public information, including government data and information, company annual reports, quarterly reports, independent research reports, and data from iResearch own research database. In compiling and preparing the report, iResearch made following projections according to relevant assumptions: (a) iResearch's projection on the total size of China's Internet advertising market is based on assumptions, including (i) historic data of market size; (ii) the expected growth rate of China's economy and GDP; (iii) the level of broadband infrastructure improvement, (iv) industry experts' projection; and (v) iResearch's estimation of industry developments and business cycle. (b) iResearch's projection on the market size of online CBM market and vertical CBM market take into consideration of various factors including (i) historic data of market size, (ii) the public filings of major online CBM participants and vertical CBM market participants, as well as those companies' projections of their own prospective results of operation during iResearch's interviews with them; (iii) industry experts' projection; and (iv) iResearch's estimation of industry developments and business cycle. (c) iResearch's projection on China's new born baby population is based on certain assumptions, including (i) historic birth rate of China; (ii) the publication of government authorities, such as National Bureau of Statistics and United Union; (iii) industry experts' projection; and (iv) iResearch's estimation. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumption and factors.

INDUSTRY OVERVIEW

OVERVIEW OF THE PRC INTERNET AND INTERNET ADVERTISING MARKET

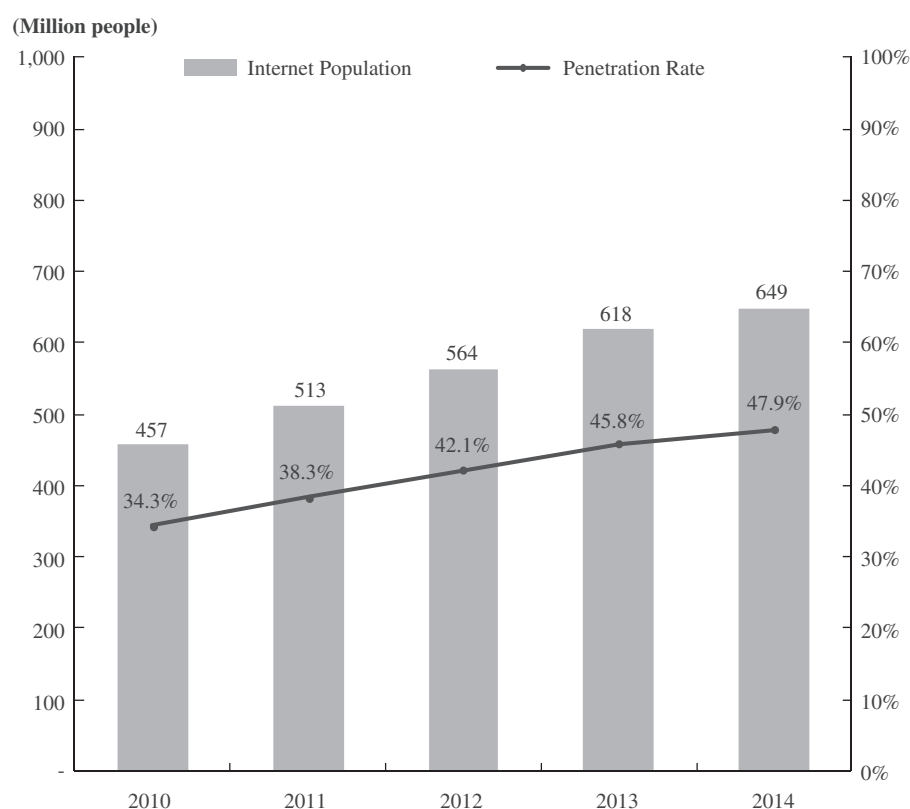
Growth in the Overall Internet Market

Internet Population and Penetration Rate

According to iResearch Report, the Internet population of China has seen a high CAGR of 9.2% from 2010 to 2014, and reached approximately 649 million in 2014, representing an Internet penetration rate of 47.9%. With the improvement of broadband infrastructure and technology advancement in China, people from all age groups are gaining easier access to the Internet. Therefore, China's Internet population is expected to grow in the next few years.

The following chart illustrates the total numbers of Internet population and the Internet penetration rate in China from 2010 to 2014:

Internet Population and Its Penetration Rate in China, 2010 - 2014^(Note)



Source: iResearch Report

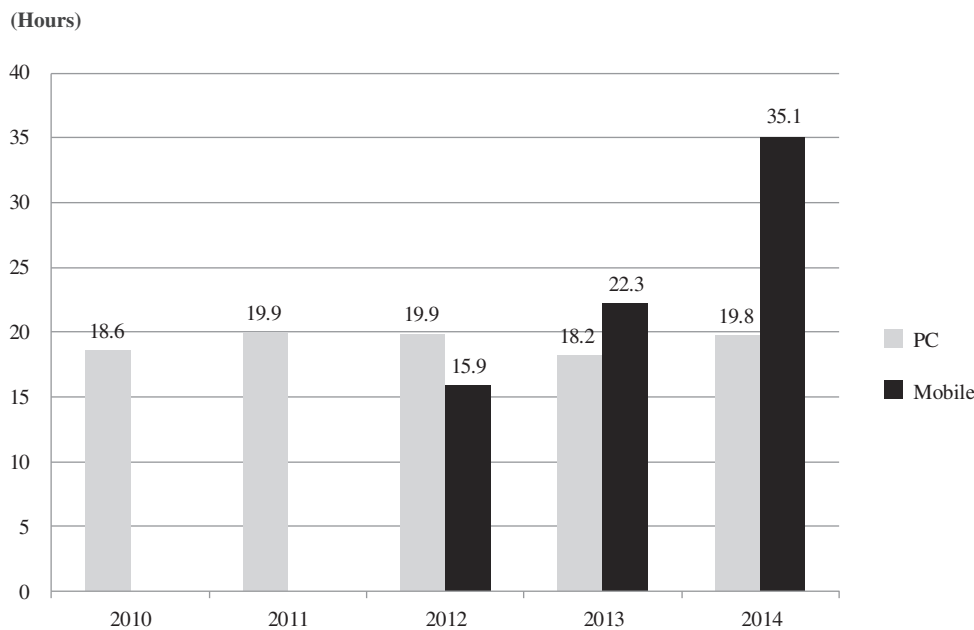
Note: Internet Penetration Rate refers the percentage of Internet population to total population in China

INDUSTRY OVERVIEW

Average Time Spent on the Internet

With the increase of China's Internet population and the proliferation of mobile Internet devices, people are now spending a significant amount of time online. According to iResearch Report, the average time spent per visitor per month of China's Internet population recorded a stable growth during past years. Among which, the average time spent per visitor via PC increased from 18.6 hours per month in 2010 to 19.8 hours per month in 2014, representing a CAGR of 1.6%; while that via mobile Internet devices increased rapidly from 15.9 hours per month in 2012 to 35.1 hours per month in 2014, representing a CAGR of 48.6% from 2012 to 2014. The following chart showed the average time spent by per visitor per month through PC and Mobile from 2010 to 2014:

Average Time Spent by Per Visitor Per Month, 2010 - 2014^(Note)



Source: iResearch Report

Note: The data for mobile Internet platform was only available since August 2012

Growth in the Internet Advertising Market

Size of Internet Advertising

Unlike traditional advertising, Internet advertising is characterized by its instantaneity and measurability of results and it emphasizes more on the use of technology to achieve customer positioning, precise placement, results monitoring and data mining. Therefore, more merchants are counting on Internet advertising as their major means of marketing.

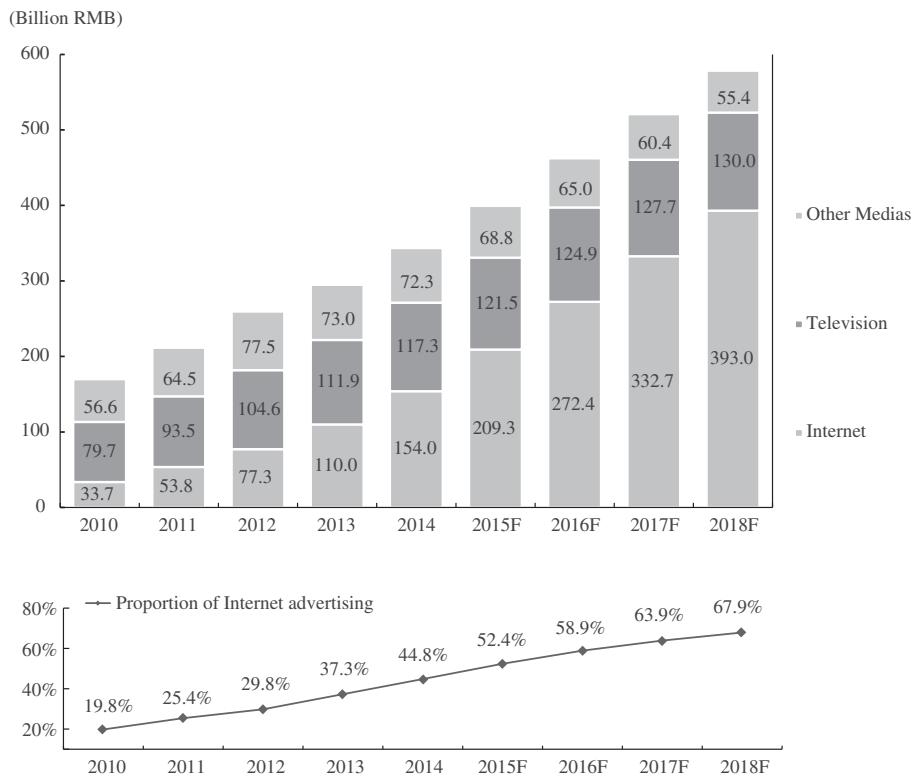
Driven by a combination of the expansion of the overall Internet market and the widely recognition of Internet advertising, the Internet advertising gained a remarkable growth during the past years. According to iResearch Report, the size of China's Internet advertising market is expected to reach approximately RMB154.0 billion in 2014, accounting for 44.8% of overall advertising market, increased substantially from RMB33.7 billion in 2010. In regard with the growth rate, overall advertising market, including both offline and online advertising, recorded a CAGR of approximately

INDUSTRY OVERVIEW

19.2% from 2010 to 2014, however, Internet advertising achieved a much higher CAGR of approximately 46.2% during the same period. It is estimated by iResearch that the shift from traditional advertising onto Internet advertising will continue and the size of Internet advertising market will also continue to grow in the next few years, for the effectiveness of Internet advertising has been and will be further recognized by advertisers after years of development.

The following chart illustrates the size of China's Internet advertising market and its proportion of all kinds of media from 2010 to 2018:

Size of China's Internet Advertising Market and Its Proportion of All Kinds of Media, 2010 - 2018F



Source: iResearch Report

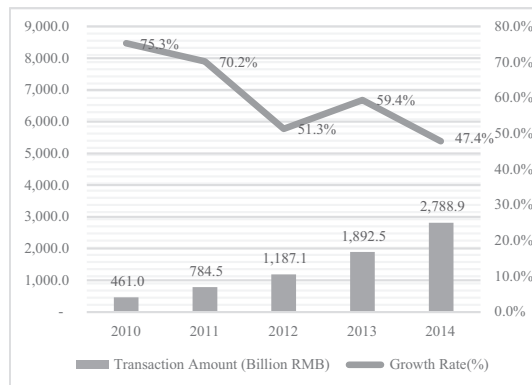
Growth in the E-Commerce Market

Following the expansion of China's overall Internet market, the increase of Internet population, as well as the increase of time spent on the Internet, people are more inclined to transact online, resulting in a remarkable growth in the China's e-commerce market in the past few years. According to iResearch, the transaction amount of online shopping market⁽¹⁾ reached RMB2.8 trillion in 2014, accounted for 10.7% of the size of total retail sales of consumer goods, representing a high CAGR of 57.2% during 2010 to 2014.

Note: The entire e-commerce market contains two segments, namely business to business and business to clients. The online shopping market refers to the e-commerce markets targeting business to clients.

INDUSTRY OVERVIEW

The Transaction Amount and Growth Rate of the PRC Online Shopping Market, 2010-2014



Source: iResearch Report

Growth in the Smart Wearable Devices Market

Smart devices are distinguished from other connected devices such as mobile phones and intellectual pads. They refer to the devices which are (i) a combination of hardware and software system; (ii) equipped with intelligent functions; (iii) capable of connecting to the Internet for online operation; and (iv) in a typical structure of “terminal plus cloud” to provide value-added services.

Smart wearable devices, which is the most well developed market among all smart devices, refer to the wearable mobile smart terminal equipped with the new generation of information technology, such as sense, identification, wireless communication, cloud service and large data, equipped with functions like user interaction, entertainment, medical care and so on. In terms of the classification of functions, the smart wearable devices can be further divided into subcategories such as fitness, leisure and entertainment, remote control and medical and health care, which our fetal heart monitoring devices fall into.

Driven by the rapid advancement of technology and the development of the mobile devices, smart wearable devices, characterized by wearability, portability and the possibility of data tracking, has gained wide popularity in recent years. According to iResearch, 8 million smart wearable devices were sold in China in 2014, representing a growth of 277.4% over that in 2013. And the sales amount reached RMB 7.6 billion, representing a growth of 232.8% over that in 2013.⁽¹⁾

OVERVIEW OF THE CBM MARKET

China’s CBM Internet Population

Our advertising customers are largely engaged in the CBM business and the majority of our users are related to the CBM population, the size of the CBM population would directly impact our size of

Note: Data is only available for 2013 and 2014 because the smart wearable devices market is an emerging market with short history.

INDUSTRY OVERVIEW

user base and the spending budget of our advertising customers. According to iResearch Report, the population aged between 20 and 40 is defined as the target customer of the CBM market. This CBM population, who grew up along with the development of the Internet, is more accustomed to and even relies on doing transactions and obtaining information through online channels, and are more eager to share their parenting experience. According to iResearch Report, the CBM population reached 3.6 million people in 2014, increased from 1.5 million people in 2008, accordingly, and its proportion of total Internet population has increased from 49.1% in 2008 to 55.3% in 2014.

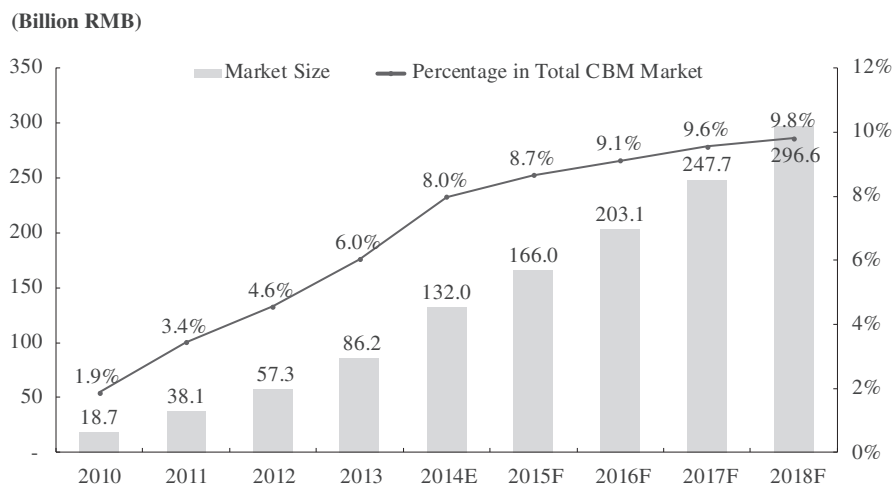
China's Online CBM Market

With the increase of China's CBM Internet population and the proliferation of smart devices with Internet access, the CBM market has accelerated the shifting of the mainstream consumption pattern from offline to online, which in turn enhanced the perception of the effectiveness of online advertising.

According to iResearch Report, the online CBM market, which can be divided by two major segments of retail goods and services, grew to RMB 86.2 billion in 2013, accounting for 6.0% of the total CBM market, and is expected to further expand in the next few years. The online retail goods segment of China's CBM market amounted to RMB 86.0 billion in 2013. The retail goods segment mainly refers to the sale of CBM related products, including maternity and baby care products, toys and educational products, baby and children clothing, footwear and accessories and food and drinking products, and so on. The service segment could be divided into sub-segments including education, entertainment as well as health and medical care services, and so on. The online service segment amounted to 0.2 billion in 2013, which is relatively smaller compared to that of retail goods segment. The online CBM market is expected to grow in the coming years due to the continuous increase in total CBM market and the further shift of consumption pattern from offline onto online, according to iResearch Report.

The chart below illustrates the total size of the online CBM market and its percentage to total CBM market from 2010 to 2018:

Sales Volume and Market Share of Online CBM Market in China, 2010 - 2018F



Source: iResearch Report

INDUSTRY OVERVIEW

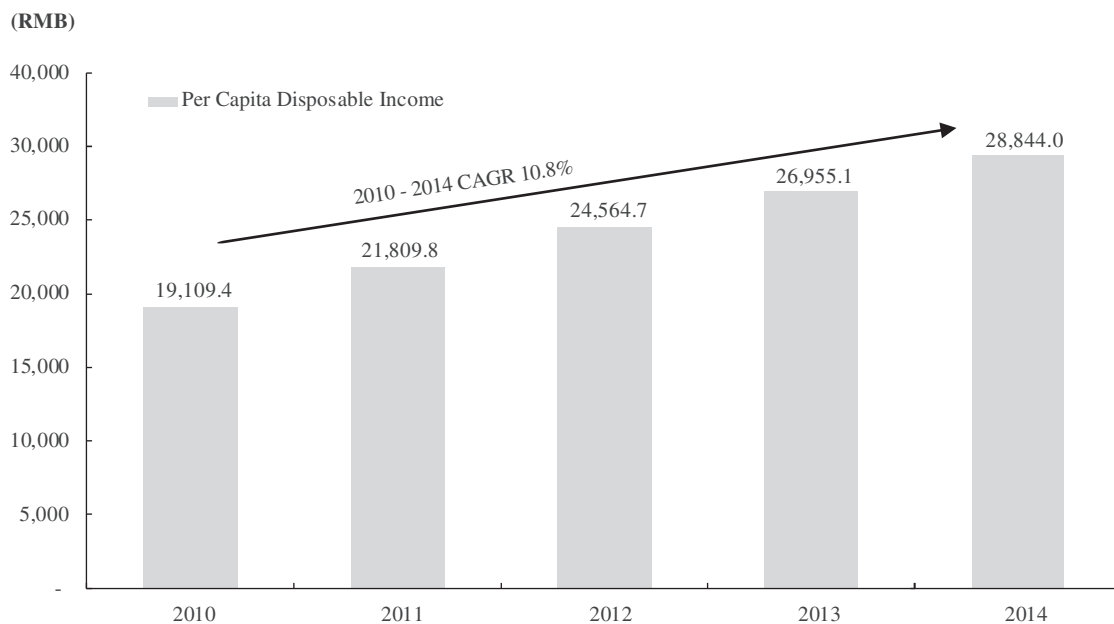
Key Growth Drivers for the CBM Market

Increasing Household's Disposable Income

The annual disposable income of China's urban households has been increasing over the last few years from RMB 19,109.4 in 2010 to RMB 28,844.0 in 2014, representing a CAGR of 10.8%. The increase in annual disposable income of China's urban households have stimulated household consumption, according to iResearch Report, China's total retail sales of consumer goods has reached RMB 26.2 trillion in 2014, representing a CAGR of 13.7% from 2010 to 2014. Considering the implementation of one-child policy has greatly raised the family position of baby and children, CBM market will absorb more household spending.

The following chart illustrates the per capita disposable income of China urban households and CAGR from 2010 to 2014.

Per Capita Disposable Income of China Urban Households, 2010 - 2014



Source: National Bureau of Statistics and iResearch Report

The Impact of New Baby Boom and Relaxation of One-Child Policy

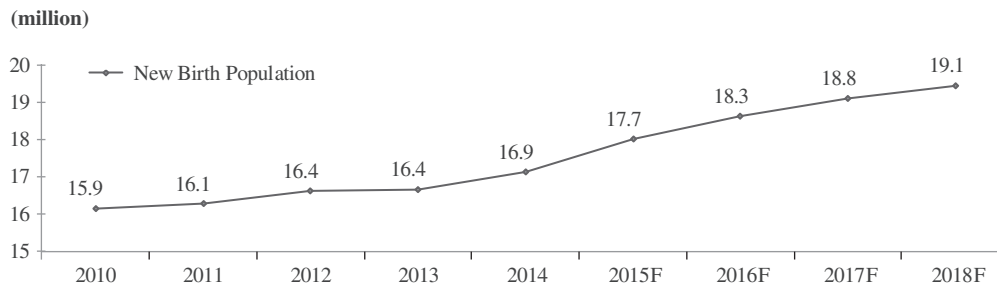
The number of new births in China amounted to 16.4 million in 2013. With a combination effect of (i) a vast number of population born in the 1980's and 1990's approaching the age of getting married and having children, China will soon enter a new baby boom; and (ii) following the Decision on Major Issues Concerning Comprehensively Deepening Reforms released by the Third Plenary Session of the 18th Chinese Communist Party Central Committee in 2013, the two-child

INDUSTRY OVERVIEW

policy, which allows couples to bear their second child if one of them was an only child, was fully implemented in China by 6 November 2014. As a result, it is estimated that China's new birth population will continue to grow and thus stimulate the demand for CBM information and related products, which may further incentivize CBM retailers and manufacturers to advertise more to increase its market share according to iResearch Report.

The following chart estimated by iResearch illustrates the new birth population in the PRC from 2010 to 2018:

New Birth Population, 2010 - 2018F



Source: National Bureau of Statistics and iResearch Report

OVERVIEW OF THE VERTICAL CBM MARKET

Vertical CBM platform, which refers to online platforms focusing on providing CBM related content and interactive services, is a cross market between Internet advertising market and CBM market, offers a combined function of online goods and services provider and Internet advertising platform. Distinguished from other CBM participants, the vertical CBM platform is characterized by (i) concentrated Internet traffic focusing on CBM; (ii) providing professional content and interactive services to CBM users, therefore is able to deliver instant and measurable Internet advertising for CBM related retailers and manufacturers and extend products and services offerings to meet user's diversified needs and enhance user's experience.

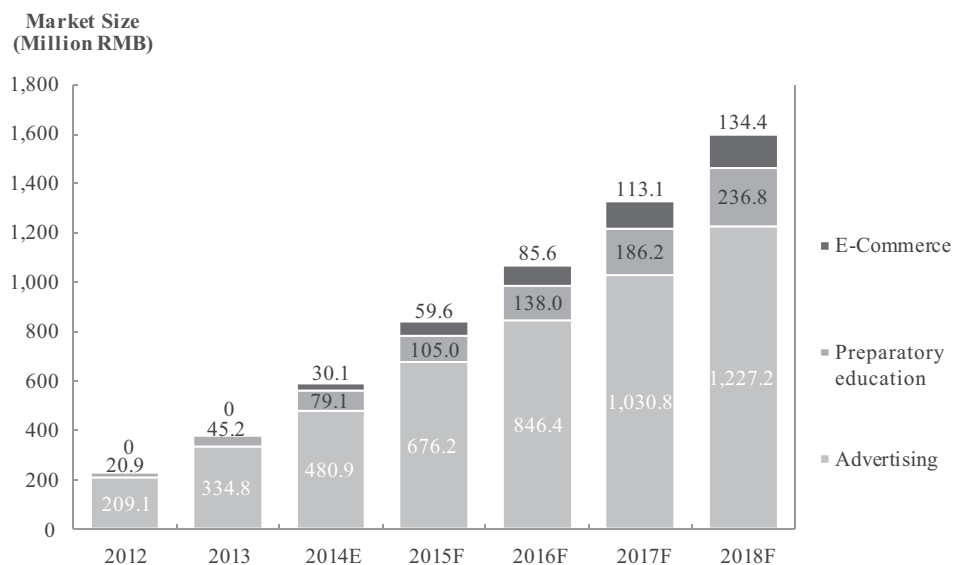
The vertical CBM platform market generated a total revenue of approximately RMB 590 million in 2014, increased from approximately RMB 230 million in 2012, representing a CAGR of 60.2% over the period, according to iResearch Report. It is expected to further expand in the coming years, primarily driven by the increasing per capita disposable income, the new baby boom, the incentive of the relaxation of the one-child policy and the further development of Internet, among others.

The vertical CBM platform market participants were founded to provide content and interactive services for the CBM population, and extended the service scope to online shopping, online to offline service, preparatory education, children games and so on. According to iResearch Report, advertising took majority part of total revenue generated from vertical CBM platform. In 2014, the amount of advertising revenue will be RMB480.9 million and accounts for 81.5% of total revenue received by vertical CBM platform. The iResearch expects the emerging services provided by the vertical CBM platform, such as sales of goods, education and games, will increase quickly in the coming years, as the participants are aiming to provide more comprehensive contents and services to better service CBM users and further enhance their ability to extract commercial value from their user base.

INDUSTRY OVERVIEW

The following chart shows the size and composition of the vertical CBM platform revenue in China from 2012 to 2018.

**Size and Composition of
Vertical CBM Platform Revenue in China, 2012 - 2018F**



Source: iResearch Report

Note: The data for vertical CBM platform revenue in China was only available since 2012.

COMPETITIVE LANDSCAPE

Competitors in the Vertical CBM Market

According to iResearch Report, the current vertical CBM market is rather concentrated with approximately 15 participants in 2014. The top 5 participants represented over 80% of the total market share in 2014.

Ranking

We are a leading player in China's vertical CBM platform, our MAU and DAU were 30.7 million and 1.3 million in December 2014, respectively, and our average MAU and DAU in 2014 were 19.0 million and 0.9 million, respectively.

**Ranking of China's leading vertical CBM market participants
in terms of MAU in December 2014**

(million people)	Ranking	Name of Website	Name of Enterprise	Dec 2014		Dec 2013	
				MAU	DAU	MAU	DAU
	1	www.babytree.com	寶寶樹	35.1	1.8	31.1	1.7
	2	www.ci123.com	Our Group	30.7	1.3	14.3	0.6
	3	www.mama.cn	媽媽網	18.0	1.0	20.0	1.1
	4	www.pcbaby.com.cn	太平洋親子網	16.7	0.8	18.0	0.9
	5	www.yaolan.com	搖籃網	11.5	0.5	17.7	0.9

Source: iResearch Report

INDUSTRY OVERVIEW

Ranking of China's leading vertical CBM market participants in terms of average MAU in 2014

(million people)

MAU Ranking for 2014

Average	Name of Website	Name of Enterprise	Average 2014		Average 2013	
			MAU	DAU	MAU	DAU
1	www.babytree.com	寶寶樹	34.2	2.0	34.7	2.0
2	www.mama.cn	媽媽網	20.3	1.2	17.8	1.0
3	www.ci123.com	Our Group	19.0	0.9	16.9	0.8
4	www.pcbaby.com.cn	太平洋親子網	18.0	0.9	17.1	0.8
5	www.yaolan.com	搖籃網	14.9	0.8	15.9	0.8

Source: iResearch Report

Entry Barrier

User Base Focusing on CBM

The consumer targeting capabilities provided by online advertising will become increasingly important to advertisers seeking to enhance the effectiveness of their advertising campaigns. Online advertising allows brands to target users with relevant messages based on user behavior and preferences. CBM vertical platforms, in particular, provide CBM market participants with direct access to an audience, who is likely to purchase CBM related products and services and receptive to advertising messages. DAU and MAU focusing on CBM are the critical index for CBM advertisers to choose their promotional and marketing platforms. As a result of years' dedicated experience in the CBM market, the top 5 vertical CBM platform participants had not only accumulated a large user base focusing on CBM, but also established long-term relationship with large domestic and international advertising agent. Given the reputation of existing vertical CBM platforms, the new entrants may need more efforts to establish their user base to compete with the existing participants.

In-depth understanding and extensive cooperation on the CBM market

The interactive nature of vertical CBM platform provided valuable CBM database for understanding target CBM users' taste and preferences. The existing vertical CBM platforms have a rich experience in providing substantial high-quality content and interacting with the CBM users, as well as in digging users' demand, which offer the vertical CBM platform an attractive partner for CBM manufacturers and retailers as well as service provider to directly promote their inventory and services. Attribute to years' accumulation, the top 5 vertical CBM platform participants had also established extensive cooperation with CBM related manufacturers and retailers, as well as service providers to further monetize their Internet traffic. The new entrants may take time to adapt and understand the CBM market and find cooperators.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

LAWS AND REGULATIONS IN RELATION TO TELECOMMUNICATIONS SERVICES AND FOREIGN OWNERSHIP RESTRICTIONS

Laws and Regulations in Relation to Telecommunication Services

The Telecommunications Regulations of the PRC (中華人民共和國電信條例) (the “**Telecommunications Regulations**”) promulgated on 25 September 2000 provides a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorizes telecommunications services into basic telecommunications services and value-added telecommunications services and set outs extensive guidelines on various aspects of telecommunications operations in the PRC. The Catalogue of Telecommunications Businesses (電信業務分類目錄) attached to the Telecommunications Regulations, which was amended on 21 February 2003 and became effective on 1 April 2003, provides that information services provided via public communication networks, such as fixed networks, mobile networks and Internet, are value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in the PRC must obtain an operating licence from the Ministry of Industry and Information Technology of the People’s Republic of China (“MIIT”) or its provincial-level counterparts.

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 25 September 2000 and amended on 8 January 2011, regulates the provision of Internet information services. According to the Internet Measures, “Internet information services” refers to services that provide information to online users via the Internet, and are categorized as either commercial services or non-commercial services. Pursuant to the Internet Measures, commercial service providers of Internet information shall obtain an ICP licence from the telecommunications administration authorities at the provincial, autonomous regional or municipal level or the MIIT before engaging in the provision of any commercial Internet information services in the PRC. Besides, the Internet Measures and other relevant measures also ban Internet activities that constitute publication of any content that, among others, propagates obscenity, pornography, gambling and violence, incites the commission of crimes or infringes upon the lawful rights and interests of third parties. If an Internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any Internet information service provider’s violation of these requirements will lead to the revocation of its ICP licence and, in serious cases, the shutting down of its website.

On 1 March 2009, the MIIT promulgated the Administrative Measures for Telecommunications Businesses Operating Licensing (電信業務經營許可管理辦法) (the “**Telecom License Measures**”), which became effective on 10 April 2009. The Telecom Licence Measures, which is formulated in accordance with the Telecommunications Regulations, sets out the types of licences required to provide telecommunications services in the PRC and the procedures and requirements for obtaining such licences.

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Nanjing Xihui, Nanjing Xinchuang and Nanjing Fuyuan, all of which are our PRC Contractual Entities, have obtained an ICP licence issued by Jiangsu Communication Administration with respect to its Internet information service business.

Laws and Regulations in Relation to Foreign Investments in the Value-added Telecommunications Industry

Pursuant to the Guiding Catalogue for Foreign Investment Industries (Amended in 2015) (外商投資產業指導目錄(2015年修訂)) jointly promulgated by the National Development and Reform Commission of the People's Republic of China and the MOFCOM on 10 March 2015, which took effect on 10 April 2015, a foreign investor is prohibited from owning more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services (excluding e-commerce).

Pursuant to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) promulgated by the State Council on 11 December 2001 and amended on 10 September 2008, foreign investors' capital contribution to any entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and operating experience in providing value-added telecommunications services overseas (the "**Qualification Requirements**"). Since no written guidelines have been publicly issued by the MIIT to specify the criteria of the Qualification Requirements (such as what would constitute "a good track record"), the MIIT retains reasonable discretion in granting approvals for the foreign investor's commencement of value-added telecommunication business in the PRC.

On 13 July 2006, the former Ministry of Information Industry (currently known as the MIIT) issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知) (the "**MIIT Notice**"), which prohibits holders of ICP licence from leasing, transferring or selling their ICP licences to any foreign investors in any form, or providing any resources, sites, facilities or other assistances to foreign investors for illegal operation of telecommunications businesses in the PRC. The MIIT Notice requires that holders of ICP licence or their shareholders must directly and legally own the domain names and registered trademarks used by such licence holders in their ICP-related services. The MIIT Notice further requires that each licence holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its licence.

On 19 June, 2015, MII issued the Circular on Loosening the Restrictions on Shareholding by Foreign Investors in Online Data Processing and Transaction Processing Business (Operating E-commerce) (the "MII Circular No. 196"), which allows a foreign investor to hold 100% of the equity interest in a PRC entity that provides on-line data processing and transaction processing services, which is also called operating e-commerce and belongs to the first category of value-added telecommunication services). However, the Principal Business operated by our PRC Contractual Entities is considered to be information service which belongs to the second category of value-added telecommunications services, and our PRC Contractual Entities, i.e. Nanjing Xihui and Nanjing Xinchuang, hold ICP licences with a service scope of information services falling within the second category of value-added telecommunication services accordingly. Therefore, MII Circular No. 196 is not applicable to our Principal Business.

Regulations in Relation to Information Security and Privacy Protection

On 18 February 1994, the State Council promulgated the Regulations on Protection of Computer Information System Security of the PRC (中華人民共和國計算機信息系統安全保護條例), which took effect on 18 February 1994 and was amended on 29 December 2010. Users of computer information systems should establish and improve their security management systems and are responsible for the security protection of their own computer information systems.

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On 13 December 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (互聯網安全保護技術措施規定), which took effect from 1 March 2006. Pursuant to the Regulations on Technological Measures for Internet Security Protection, Internet services providers are responsible for implementing technological measures for Internet security protection and safeguarding the normal functions of such measures. Internet services providers should establish corresponding management systems, and are prohibited from unauthorized disclosure or revelation of users' registered information unless otherwise required by the laws and regulations. Internet services providers are required to lawfully utilize technological measures for Internet security protection and are prohibited from utilizing such measures to infringe the freedom and secrecy of the users' correspondences.

Laws and Regulations in Relation to Foreign Exchange

SAFE Circular No. 37

On 4 July 2014, the State Administration of Foreign Exchange (the "SAFE") promulgated the Circular on Relevant Issues Concerning the Foreign Exchange Administration over the Overseas Investment, Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular No. 37"), which became effective on 4 July 2014. Pursuant to SAFE Circular No. 37, the SAFE and its branches shall enforce registration management for establishment of Special Purpose Vehicles by domestic residents (including domestic institutions and domestic resident individuals, and domestic resident individuals shall refer to Chinese citizens holding the ID cards for Chinese domestic residents, military ID certificates or ID certificates for armed police force, and overseas individuals that do not hold any domestic legitimate ID certificates but have habitual residences within the territory of the PRC due to relationships of economic interests). Prior to contributing domestic and overseas legitimate assets or interests to a Special Purpose Vehicle, a domestic resident shall apply to the SAFE for foreign exchange registration of overseas investment. Where a registered overseas Special Purpose Vehicle undergoes changes of its domestic resident individual shareholders, name, operating period or other basic information, or experiences substantial changes including without limitation the increase or reduction of registered capital by domestic resident individuals, transfer or replacement of equity and merger or split, the Special Purpose Vehicle shall go through modification registration of foreign exchange for overseas investment with the SAFE. Where a non-listed Special Purpose Vehicle uses its own equity interests or options to grant equity incentives to the directors, supervisors and senior management of a domestic enterprise under its direct or indirect control, as well as other employees in employment or labour relationships with the aforesaid company, relevant domestic resident individuals may, before exercising their rights, apply to the SAFE for foreign exchange registration of the Special Purpose Vehicle.

Conversion of Foreign Currencies

Pursuant to the Administrative Regulations on Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the "Foreign Exchange Administrative Regulations") promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008 and the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Provisions") promulgated by the PBOC on 20 June

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1996, RMB is generally freely convertible to foreign currencies for current account transactions (such as trade and service-related foreign exchange transactions and dividend payments), but not for capital account transactions (such as capital transfer, direct investment, securities investment, derivative products or loans), except where a prior approval from the SAFE and/or its competent local counterparts is obtained. Foreign-invested enterprises in the PRC may, without any approval from the SAFE and/or its competent local counterparts, purchase foreign exchange for dividend distribution, trade or services by providing certain documentary evidence (such as resolutions of the board of directors and certificates of tax payments).

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises 《(國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知)》 (“SAFE Circular No. 19”), which came into effect from 1 June 2015. According to SAFE Circular No. 19, the foreign exchange capital of foreign-invested enterprises (“FIE”) shall be subject to the Discretionary Foreign Exchange Settlement (“Discretionary Foreign Exchange Settlement”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an FIE for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the FIE. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an FIE is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, SAFE Circular No.19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and
4. paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

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Pursuant to the Circular on Printing and Issuing the Provisions on the Foreign Exchange Administration of Direct Investment in China Made by Foreign Investors and the Supporting Documents (關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) promulgated by the SAFE on 11 May 2013 and effective from 13 May 2013, foreign-invested enterprises shall register with the SAFE and/or its competent local counterparts after being established in accordance with the law. Where a foreign investor has made capital contributions to a foreign-invested enterprise in the form of monetary funds, equity, tangible assets, intangible assets, etc. (including lawful income obtained within the PRC), or where the foreign investor has paid consideration for the acquired equity from the domestic side of a Chinese enterprise, the foreign-invested enterprise shall register the capital contributions and the rights and interests of the foreign investor with the SAFE and/or its competent local counterparts. Where the foreign-invested enterprise subsequently increases or reduces its registered capital, transfers its equity or undergoes other capital changes, it shall go through modification registration with the SAFE and/or its competent local counterparts. Where the foreign-invested enterprise is subsequently deregistered or converted to a non-foreign-invested enterprise, it shall go through deregistration with the SAFE and/or its competent local counterparts. A foreign-invested enterprise that needs to remit funds abroad due to capital reduction, liquidation, advance recovery of investment, profit distribution, etc. may purchase foreign exchange and make external payment with the relevant bank after going through corresponding registration. A domestic equity transferee who needs to remit funds abroad due to the transfer of the equity held by a foreign investor in a foreign-invested enterprise may purchase foreign exchange and make external payment with the bank after the foreign-invested enterprise has gone through corresponding registration.

Under the Circular of the SAFE on Further Improving and Adjusting the Policies for Foreign Exchange Administration under Capital Accounts (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知) promulgated by the SAFE on 10 January 2014 and effective from 10 February 2014, administration over the outflow of profits by domestic institutions shall be simplified:

- (1) In principle, a bank is no longer required to examine transaction documents when handling the outflow of profits of no more than the equivalent of US\$50,000 by a domestic institution. When handling the outflow of profits exceeding the equivalent of US\$50,000, the bank, in principle, is no longer required to examine the financial audit report and capital verification report of the domestic institution, provided that it shall examine, according to the principle of transaction authenticity, the profit distribution resolution of the board of directors (or the profit distribution resolution of the partners) relating to this profit outflow and the original copy of its tax record-filing form. After each profit outflow, the bank shall affix its seal to and endorsements on the original copy of the relevant tax record-filing form to indicate the actual amount of the profit outflow and the date of the outflow.
- (2) Restrictions that the amount of profits disposed of by an enterprise in the current year shall, in principle, not exceed the sum of the “dividends payable” attributable to foreign shareholders and the “undistributed earnings” in the latest financial audit report shall be abolished.

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Dividend Distribution

The principal laws and regulations governing dividends distribution of foreign holding companies include the Company Law of the PRC (中華人民共和國公司法) promulgated by the Standing Committee of the National People's Congress in 1993 and amended in 1999, 2004, 2005 and 2013, the Foreign-invested Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated by the Standing Committee of the National People's Congress in 1986 and amended in 2000, and the Implementation Rules of the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) promulgated by the State Council in 1990 and amended in 2001. Under these laws and regulations, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in the PRC, such as our PRC Subsidiaries, must allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Regulations in Relation to Stock Incentive Plans

The SAFE promulgated the Circular of the SAFE on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the “**Stock Option Rules**”) on 15 February 2012. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares granted under the stock incentive plans and dividends distributed by the overseas-listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the domestic individuals participating in the stock incentive plans of overseas-listed companies with SAFE or its local branches.

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Laws and Regulations in relation to M&A Rules

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (“M&A Rules”), which was jointly promulgated by MOFCOM, CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration of Industry and Commerce and SAFE on 8 August 2006, became effective on 8 September 2006 and was amended on 22 June 2009, governs, among other things, the purchase and subscription by foreign investors of equity interests in a domestic enterprise, and the purchase and operation by foreign investors of the assets and businesses of a domestic enterprise.

In addition, the M&A Rules also contain provisions, which purport to require an offshore special purpose vehicle (the “SPV”) formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, to obtain the CSRC’s approval prior to the listing and trading of the SPV’s securities on an overseas stock exchange.

Laws and Regulations in relation to Property

Under the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the National People’s Congress on 5 July 1994 which became effective on 1 January 1995 and as amended on 30 August 2007 and the Measures for Administration of Leases of Commodity Properties (《商品房屋租賃管理辦法》) promulgated by the Ministry of Construction on 1 December 2010 and became effective on 1 February 2011, parties to a building lease should enter into a written lease contract and register the lease with the relevant real estate administration authority. Whenever a lease is signed, amended, extended or terminated, the parties are required to register the details with the relevant real estate administration authority. Parties will be subject to fines if they fail to register the details even after being ordered by the relevant authorities.

Laws and Regulations in relation to Tax

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), promulgated by the National People’s Congress on 16 March 2007 and became effective from 1 January 2008, the income tax rate for both resident enterprises and foreign-invested enterprises is 25% commencing from 1 January 2008 (with certain exceptions for qualified foreign-invested enterprises). In order to clarify certain provisions in the EIT Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “EIT Implementation Rules”) on 6 December 2007 which became effective on 1 January 2008. Pursuant to the EIT Law and the EIT Implementation Rules, non-resident enterprises which have not established agencies or offices in China, or which have established agencies or offices in China but whose income has no association with such agencies or offices, shall pay enterprise income tax on its income earned from inside China, and such income of non-resident enterprises shall be taxed at the reduced rate of 10% and shall be withheld at source, for which the payer thereof shall be the withholding agent.

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On 26 December 2007, the State Council promulgated the Circular on Implementation of Enterprise Income Tax Transition Preferential Policies (《關於實施企業所得稅過渡優惠政策的通知》) (the “Transition Preferential Policies Circular”). Under the EIT Law and the Transition Preferential Policies Circular, for enterprises established prior to 16 March 2007 and had already enjoyed preferential policies of low tax rates, (a) in the case of preferential tax rate, the tax rate will gradually increase from 15% to 25% within five years from 1 January 2008; or (b) in the case of tax exemption or reduction for a fixed term, they shall continue to enjoy the preferential policies until the expiration of such term.

Pursuant to the Several Policies on Encouraging the Development of the Software Industry and the Integrated Circuit Industry (《關於鼓勵軟件產業和集成電路產業發展的若干政策》) promulgated by the State Council on 24 June 2000 and effective as of 1 July 2000 and the Circular of the State Council on Printing and Distributing Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (《國務院關於印發進一步鼓勵軟件產業和集成電路產業若干政策的通知》) promulgated by the State Council on 28 January 2011, the software enterprises can enjoy the preferential policies of the corporate income tax named “2-year exemption and 3-year half payment”. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) promulgated by the State Council on 20 April 2012, the criteria of being recognized as a software enterprise are as follows: (1) the corporate enterprise that has been established in China after 1 January 2011; (2) the ratio of employees who have signed a labor contract holding a junior college or a higher academic degree to the total average monthly employees in the current year is not less than 40%, and the ratio of research and development staff to the total average monthly employees in the current year is not less than 20%; (3) the company must be in possession of certain core technology and carry out business activities based on it. The ratio of the total R&D expenses in the current year to the total sales (business) income of enterprise is not less than 6%, and the ratio of R&D expenses incurred in China to the total R&D expenses is not less than 60%; (4) the ratio of development and sales (business) income of software products to the enterprise’s total income is generally not less than 50% (for embedded software products and information system integration products, the ratio of development and sales (business) income to the total income is not less than 40%), and the ratio of independent development and sales (business) income of software products to the total income is generally not less than 40% (for embedded software products and information system integration products, the ratio of development and sales (business) income to the total income is not less than 30%); (5) the company must have independent intellectual property rights for its main business. For software products, the relevant testimonial certificate issued by software testing organizations recognized by the provincial-level competent department of the software industry and the “Software Product Registration Certificate” issued by the competent department of the software industry must be obtained; (6) the company must have the means and capacity to ensure the quality of designed products, and establish the quality management system meeting the requirements of integrated circuits or software engineering and provide archive records of the process of effective operations; (7) the company must have production premises, hardware and software equipment and other developmental environments (e.g. EDA tools, legal developmental tools, etc.) which are compatible with software development, and the technical supporting environment related to the provision of services. For Nanjing Xibai which was established on 10 December 2014, (1) as of 31 December 2014, the number of employees who have entered into labor

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contracts and have a junior college or a higher academic degree represented 100% of the total number of employees; (2) as of 31 December 2014, the number of research and development employees represented 83.33% of the total number of employees; (3) the total research and development expenses in 2014 represented 81.31% of the total business income, and the research and development expenses incurred in China in 2014 represented 100% of the total research and development expenses; (4) the business income from software product development in 2014 represented 100% of the total business income, and the business income from the independent development of software products in 2014 represented 100% of the total business income; (5) Nanjing Xibai has owned the computer software copyright (Certificate No.: 軟著登字第0893780號) from its independent development on 25 December 2014 to provide relevant software technical services, and CEPREI Laboratory has issued a software testing report for this software product; (6) Nanjing Xibai has prepared the design and operation instructions for its software product; and (7) Nanjing Xibai has leased a place of business and has owned the relevant software and hardware facilities for software development.

Withholding income tax and international tax treaties

Pursuant to the EIT Law and the EIT Law Implementation Rules, dividends generated after 1 January 2008 and payable by a foreign-invested enterprise in China to its foreign investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of registration and incorporation has entered into a tax agreement with China which provides a different withholding tax arrangement. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and Prevention of Tax Evasion (《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》) promulgated by the SAT on 21 August 2006, the applicable withholding income tax rate for any dividends declared by a Chinese company is 5% for a shareholder being a Hong Kong resident holding at least 25% interest in its registered capital, or 10% for a shareholder being a Hong Kong resident holding less than 25% interest in its registered capital. According to the Circular of the SAT on Printing and Issuing the Administrative Measures for Non-Residents to Enjoy the Treatment under Tax Treaties (Trial Implementation) (Guo Shui Fa No. [2009] 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》) (國稅發(2009)124號) which was promulgated by the SAT on 24 August 2009 and became effective on 1 October 2009, the 5% tax rate does not automatically apply and where enterprises intend to enjoy the treatment under provisions relating to dividends in relevant tax treaties, they shall apply to local tax authorities for approvals of enjoying such treatment. According to 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》) issued on 20 February 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議中「受益所有人」的通知》), which was issued on 27 October 2009 by the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《關於認定稅收協議中「受益所有人」的公告》), which was issued on 29 June 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 are not entitled to the above-mentioned reduced income tax rate of 5% under the Arrangement for Avoidance of Double Taxation.

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Pursuant to the Circular of the SAT on Printing and Issuing the Interim Administrative Measures for Income Tax Withheld at Source for Non-Resident Enterprises (《國家稅務總局關於印發〈非居民企業所得稅源泉扣繳管理暫行辦法〉的通知》) which was promulgated by the SAT on 9 January 2009 and became effective on 1 January 2009, with regard to dividends, bonuses and other equity investment proceeds and interest therefrom, rentals, royalties, property transfer income and other kinds of income earned by non-resident enterprises from inside China, on which enterprise income tax shall be levied, withholding tax at source shall be applicable thereto. Entities or individuals that have direct obligations to make relevant payments to non-resident enterprises in accordance with relevant legal provisions or contracts shall be the withholding agents. Each time a withholding agent pays or is due to pay an income as provided in this Circular to a non-resident enterprise, the enterprise income tax shall be withheld from the sum paid or due to be paid.

Value-added tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), promulgated by the State Council on 13 December 1993, amended on 10 November 2008 and the amendment became effective on 1 January 2009, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the Ministry of Finance on 25 December 1993, amended on 15 December 2008 and 28 October 2011, and the amendment became effective on 1 November 2011, sale of goods, provision of processing, repair and replacement services and import and export of goods within the PRC are subject to value-added tax (“VAT”). VAT payable is calculated as output VAT minus Input VAT. The VAT rate is 17% or, in certain limited circumstances, 13%, depending on the products, excluding small-scale taxpayers as defined in the Interim Regulations on Value-Added Tax of PRC.

On 12 December 2013, the Ministry of Finance and the SAT promulgated the Circular of the Ministry of Finance and the SAT on the Inclusion of the Railway Transport and Postal Service Industry into the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》) and its appendixes including the Implementing Measures for Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點實施辦法》) (the “Implementing Measures for Pilot Collection”), the Provisions on Matters Concerning the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點有關事項的規定》), the Provisions on the Transit Policies for the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》) and the Provisions on VAT Zero Rate and Tax Exemption Policy Applicable to Taxable Services (《應稅服務適用增值稅零稅率和免稅政策的規定》). According to the Implementing Measures for Pilot Collection, entities and individuals providing transportation services and services in certain modern service industries within the territory of the PRC shall be VAT taxpayers. Taxpayers providing taxable services shall pay VAT in accordance with the Implementing Measures for Pilot Collection and will no longer pay business tax. The VAT rates applicable to various services are as follows:

- (1) to provide leasing services of tangible personal property, the tax rate shall be 17%.
- (2) to provide transportation services, the tax rate shall be 11%.

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- (3) to provide services in modern service industries (excluding leasing services of tangible personal property), the tax rate shall be 6%.
- (4) for taxable services specified by the Ministry of Finance and the SAT, the tax rate shall be zero.

The Circular on the Inclusion of the Telecommunications Industry into the Pilot Collection of Value-Added Tax in Lieu of Business Tax《關於將電信業納入營業稅改徵增值稅試點的通知》 approved by the State Council and promulgated by the Ministry of Finance and the SAT on 29 April 2014 provides that the telecommunications industry has been included into the pilot collection of value-added tax in lieu of business tax with a applicable VAT rate of 6%.

The Ministry of Finance and the SAT promulgated the “Notice on Value-added Tax Policies for Software Products” on 13 October 2011. If general VAT taxpayers sell self-developed and produced software products, after VAT has been collected at a tax rate of 17%, the refund-upon-collection policy shall be applied to the part of actual VAT burden in excess of 3%. Upon the examination and approval of the competent tax authority, software products meeting the following conditions may enjoy the VAT policies mentioned above: (1) having obtained the inspection and testing certification materials issued by a software inspection and testing institution recognized by the provincial software industry administrative department; (2) having obtained a Software Product Registration Certificate issued by the software industry administrative department or a Computer Software Copyright Registration Certificate issued by the copyright administrative department.

Laws and Regulations in relation to Advertising Services

Governance of the advertising industry

Pursuant to Advertising Law of the PRC (《中華人民共和國廣告法》) adopted in the 10th meeting of the Standing Committee of the 8th National People’s Congress of the People’s Republic of China on 27 October 1994 and became effective on 1 February 1995, the term “advertisers” refers to any legal persons, economic organizations or individuals that, directly or through certain agents, design, produce and publish advertisements for the purpose of promoting products or providing services. The term “advertisement operators” refers to those legal persons, economic organizations or individuals that are being consigned to provide advertisement content design, production and agency services. The term “advertisement publishers” refers to those legal persons or other economic organizations that publish advertisements for the advertisers or for those advertisement operators which are consigned by the advertisers. Therefore, Nanjing Xihui is considered as advertisement operator and advertisement publisher. Advertisements shall not contain any false contents or misrepresent to or mislead the consumers. An advertisement should present distinct and clear specifications on the product’s function, place of origin, uses, quality, price, manufacturer, validity period, promises or the contents, forms, quality, price or promises of the services offered. The contents of advertisements for food, wine and cosmetics should comply with the requirements set by the health department and the use of medical terms or terms that are confusingly similar with medications is prohibited. The contents of advertisements for medications should be based on the instructions approved by the State Council or provincial public health administrative department. It is prohibited to advertise tobacco through media broadcast, films, television, newspaper or periodicals and no advertising is allowed for special drugs such as anaesthetics, psychotropic drugs, toxic drugs or radioactive drugs.

REGULATORY OVERVIEW

According to the Advertising Law of the PRC, data, statistics, survey results, excerpts or quotations addressed in an advertisement should be true and accurate, with the sources clearly indicated. For acts of publishing false advertisements to deceive or mislead consumers, thus causing damages to the lawful rights and interests of consumers who have bought the commodities or accepted the services, the advertisers shall bear civil responsibility and advertising agents and publishers who knew or should have known the falseness of the advertisements shall bear joint and several responsibility if they have participated in designing, producing or publishing the advertisements.

According to the Advertising Law of the PRC, it is prohibited to advertise with any patent application that has not been granted, or with any patent that has been terminated, cancelled or invalidated. Advertisers, advertising agents or advertisement publishers shall bear civil responsibility if they infringe on and use other's patent rights, or use the names or images of others without prior consent.

Pursuant to Regulation on the Administration of Advertising (《廣告管理條例》) promulgated by the State Council on 26 October 1987 and became effective on 1 December 1987 and Detailed Rules for the Implementation of the Regulation on the Administration of Advertising (《廣告管理條例施行細則》) promulgated and amended by State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局) (the "SAIC") which took effect on 1 January 2005, advertisement operators shall apply for registration at the competent administration for industry and commerce and obtain the business licence, and handle the procedure of registration of advertisement operator.

Pursuant to Notice Concerning the Certain Matters Regarding the Renewal of Advertising Business Licence (《關於換發<廣告經營許可證>有關問題的通知》) promulgated by the SAIC on 10 December 2004 and took effect on the same date, according to the provisions under Clause 2 of the Measures for the Administration of Advertising Business Licences (《廣告經營許可證管理辦法》), radio stations, television stations, periodicals publishing entities, and other entities that are required to apply for the examination and approval in registering the operation of advertising business pursuant to other laws and administrative regulations shall renew their Advertising Business Licences (《廣告經營許可證》). Other entities engaging in advertising operation business shall not renew their Advertising Business Licences.

Laws and Regulations in relation to Intellectual Property

International conventions

China is a party to several international conventions on intellectual property rights, including Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協議》), Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), Berne Convention for the Protection of Literary and Artistic Works (《保護文學和藝術作品伯爾尼公約》), World Intellectual Property Organization Copyright Treaty (《世界知識產權組織版權公約》), Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協議》) and Patent Cooperation Treaty (《專利合作公約》).

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Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated on 7 September 1990 and amended respectively on 27 October 2001 and 26 February 2010, protects copyright and explicitly covers computer software copyright. On 20 December 2001, the State Council promulgated the new Regulations on Computer Software Protection (《計算機軟件保護條例》), amended on 30 January 2013, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal person or other organizations is automatically protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the preliminary evidence of the ownership of the copyright and other registered matters. On 20 February 2002, the National Copyright Administration of the PRC introduced the Measures on Computer Software Copyright Registration (《計算機軟件著作權登記辦法》), which outline the operational procedures for registration of software copyright, as well as registration of software copyright licence and transfer contracts.

Right to Network Dissemination of Information

On 18 May 2006, the State Council promulgated the Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》), which took effect on 1 July 2006 and was amended on 30 January 2013. The owners' right to network dissemination of information is protected by the Copyright Law and this regulation. Except where otherwise provided for in laws or administrative regulations, any organization or person providing to the public the works, performances, or audio-visual recordings of others through information networks shall obtain the permission from, and pay remuneration, to the owners. Our Company is not required to obtain the prior consent of the third-party content owner nor pay the third-party content owner, if: (1) the content has previously been published; (2) the content is properly extracted and supplemented by our own view or analysis instead of being a replication of the original work (適當引用); (3) the content is quoted for the purpose of introducing or commenting on certain work, or elaborating on certain issues; and (4) the third-party content owner has not declared in advance that the content shall be prohibited to be quoted. Comparatively, if our Company intends to adopt or replicate any third-party content without alteration, it shall obtain the prior consent of the relevant third-party owner and pay a remuneration fee upon request.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the "Patent Law"), promulgated by the Standing Committee of the National People's Congress on 12 March 1984, amended on 4 September 1992, 25 August 2000 and 27 December 2008 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on 15 June 2001 and amended on 28 December 2002 and 9 January 2010, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The protection period is 20 years for invention patent and 10 years for utility model patent and design patent, commencing

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from their respective application dates. Any individual or entity that utilises a patent or conducts any other activity in infringement of a patent without prior authorisation of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the “Trademark Law”), promulgated by the Standing Committee of the National People’s Congress on 23 August 1982, amended on 22 February 1993, 27 October 2001 and 30 August 2013, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behaviour in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offence, the case shall be timely referred to a judicial authority and decided according to law.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names of the PRC (《中國互聯網絡域名管理辦法》) promulgated by the Ministry of Information Industry (now known as the Ministry of Industry and Information Technology) on 5 November 2004 and effective from 20 December 2004, a domain name shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of “first come, first served” applies to domain name registration service. After completing the domain name registration, the applicant will become the holder of the registered domain name. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay corresponding fees as required, the original domain name registry shall deregister the relevant domain name and notify the holder of deregistration in written forms.

Laws and Regulations in relation to Labor Relationship and Social Security

The relevant labour laws in the PRC include the Labour Law of the PRC (《中華人民共和國勞動法》) (the “Labour Law”), effective from 1 January 1995, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “Labour Contract Law”), effective from 1 January 2008, amended on 28 December 2012 and then effective from 1 July 2013, the Implementation Regulations on the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Trial Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Interim Measures for Registration and Administration of Social Insurance (《社會保險登記管理暫行辦法》),

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the Administrative Regulations on the Declaration and Contribution of Social Insurance Premiums (《社會保險申報繳納管理規定》), the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) and other relevant laws and regulations promulgated by the PRC governmental authorities from time to time.

The Labour Law was promulgated by the Standing Committee of the National People's Congress on 5 July 1994, and was amended on 27 August 2009. In accordance with the Labour Law, employees are entitled to equal opportunities in employment, selection of occupations, receiving labour remuneration, enjoying rest days and holidays, occupational safety and health protection, social insurance and welfare, etc. Employers shall establish and improve the occupational safety and healthcare system, provide education on occupational safety and healthcare to employees, comply with national and/or local regulations on occupational safety and healthcare, and provide necessary labour protective supplies to employees.

Pursuant to the Labour Contract Law, another important law concerning employees promulgated by the Standing Committee of the National People's Congress, employers must execute labour contracts with employees so as to establish labour relationships. In recruiting employees, employers shall truthfully inform the employees of the scope of work, working conditions, workplaces, occupational hazards, production safety conditions, labour remuneration and other information requested by the employees. Employers and employees shall fully perform their respective obligations in accordance with the terms of the labour contracts. Employers shall pay labour remuneration to employees in full amount and on time in accordance with the terms of the labour contracts.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Trial Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Interim Measures for Registration and Administration of Social Insurance (《社會保險登記管理暫行辦法》), employers shall make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If employers fail to pay social insurance premiums in full amount and on time, the social insurance collection authorities may order the employers to make the payments or to make up the difference within a specified time limit, with late payment fees imposed. If the employers fail to make the payments within such time limit, relevant administrative authorities may impose fines on them.

Pursuant to the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》), promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, employers must make contributions to housing provident funds for their employees.

HISTORY AND CORPORATE STRUCTURE

OUR BUSINESS DEVELOPMENT

Our Group was founded in 2005 through the establishment of Nanjing Xinchuang by Ms. Li Juan with her spouse, Mr. Wu Haiming, both being our non-executive Director and our Controlling Shareholders. The source of funding used to finance our business when we were first established was primarily their cash savings.

Since our establishment in 2005, we have become an online platform focusing on the CBM market in China. We offer (i) CBM content and service; (ii) interactive online social community; and (iii) periodic interactive social activities for our users.

The key milestones of our business development are as follows:

Year	Business Achievement
2005	Nanjing Xinchuang was established
2005	PC Web was successfully launched
2009	The Mobile Web of our Platform was successfully launched and put into operation
2010	We started to provide educational resources through JG Web
2012	Our Mobile APP “Pregnancy Reminder” (孕期提醒) ranked top ten in the download ranking list of APP Store of Apple
2013	Our Mobile APP “Pregnancy Reminder” (孕期提醒) won the innovative development (wireless section) award of Alimama, an online shopping platform
2014	The IPTV APP of our Platform was successfully launched and put into operation
2014	We cooperated with a third-party device manufacturer for the research and development of smart-hardware devices (智能硬件產品)
2014	We commenced our e-commerce business on our Mobile APPs
2014	Our Mobile APP “Pregnancy Reminder” (孕期提醒) ranked top ten in the download ranking list of APP Store of Apple

HISTORY AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENT

We set out below the corporate history and shareholding changes of the major operating subsidiaries of our Group.

1. Nanjing Xibai

Nanjing Xibai is a wholly-owned subsidiary of our Company and is principally engaged in the provision of technical support and consultancy related services. It was established in the PRC on 10 December 2014 as a wholly foreign-owned limited liability company with an initial registered capital of HK\$15,000,000 to be contributed by Star Universal, our wholly-owned subsidiary. Upon its establishment, Nanjing Xibai was held as to 100% by Star Universal.

2. Nanjing Xihui

Nanjing Xihui is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services the licensing of smart-hardware devices. It was established as a limited liability company in the PRC on 24 May 2013 with an initial registered capital of RMB5,000,000 contributed by Jiangsu Xi'an. Upon its establishment, Jiangsu Xi'an held 100% equity interest in Nanjing Xihui. For further information of Jiangsu Xi'an, please refer to the section headed "Relationship with our Controlling Shareholders — Information of Jiangsu Xi'an" in this prospectus.

In November 2014, as part of the Reorganization and in preparation for the Contractual Arrangement, Jiangsu Xi'an transferred RMB4,250,000 and RMB750,000 of the registered capital of Nanjing Xihui, being 85% and 15% of its equity interest, to Ms. Li Juan and Mr. Cheng Li respectively; and in December 2014, Nanjing Xihui, Ms. Li Juan and Mr. Cheng Li entered into the Contractual Arrangement with Nanjing Xibai pursuant to which Nanjing Xibai is deemed to hold 100% equity interest in Nanjing Xihui.

3. Nanjing Xinchuang

Nanjing Xinchuang is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services and e-commerce business. It was established as a limited liability company in the PRC on 14 April 2005 with an initial registered capital of RMB500,000, of which RMB250,000 and RMB250,000 were contributed by Mr. Wu Haiming and Mr. Pan Zhiyu (潘志宇), respectively. Pursuant to the entrustment confirmation agreements as further detailed below, Mr. Wu Haiming and Mr. Pan Zhiyu held the relevant equity interests of Nanjing Xinchuang on trust for Ms. Li Juan. The trust arrangement had been established as the relevant parties considered that it would be more convenient to have Mr. Wu Haiming and Mr. Pan Zhiyu, who would be responsible for the management of Nanjing Xinchuang at the material time, as the registered shareholders. Upon its establishment, Nanjing Xinchuang was held as to 50% by Mr. Wu Haiming and 50% by Mr. Pan Zhiyu. Mr. Wu Haiming is our non-executive Director and the spouse of Ms. Li Juan. Mr. Pan Zhiyu is a personal friend of Mr. Wu Haiming and an Independent Third Party.

HISTORY AND CORPORATE STRUCTURE

It was contemplated that the equity interests of Nanjing Xinchuang would be consolidated under Jiangsu Xi'an as part of our group restructuring. Jiangsu Xi'an was at the material time held as to 85% and 15% by Ms. Li Juan and Mr. Cheng Li respectively. As such, in July 2011, Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement pursuant to which they agreed to act unanimously towards the governing of Jiangsu Xi'an and Nanjing Xinchuang. For further details of the concert party arrangement, please refer to the section headed "Relationship with our Controlling Shareholders — Controlling Shareholders" in this prospectus. In March 2012, the registered capital of Nanjing Xinchuang was increased from RMB500,000 to RMB2,000,000 with the increase in registered capital of RMB1,500,000 contributed by Jiangsu Xi'an. After the capital increase, Nanjing Xinchuang was held as to 75% by Jiangsu Xi'an, 12.5% by Mr. Wu Haiming and 12.5% by Mr. Pan Zhiyu. Pursuant to the entrustment confirmation agreements as further detailed below, Mr. Wu Haiming and Mr. Pan Zhiyu held the relevant equity interests of Nanjing Xinchuang on trust for Jiangsu Xi'an. The said arrangements were to consolidate the equity interests of Nanjing Xinchuang under Jiangsu Xi'an as part of our group restructuring for future development.

In February 2013, Mr. Wu Haiming transferred RMB250,000 of the registered capital of Nanjing Xinchuang, being 12.5% of its equity interest, to Ms. Li Juan. The said transfer was a family arrangement between Mr. Wu Haiming and Ms. Li Juan. After the transfer, Nanjing Xinchuang was held as to 75% by Jiangsu Xi'an, 12.5% by Ms. Li Juan and 12.5% by Mr. Pan Zhiyu. Pursuant to the entrustment confirmation agreements as further detailed below, Ms. Li Juan and Mr. Pan Zhiyu held the relevant equity interests of Nanjing Xinchuang on trust for Jiangsu Xi'an.

In November 2014, as part of the Reorganization and in preparation for the Contractual Arrangement, Jiangsu Xi'an transferred RMB1,450,000 and RMB50,000 of the registered capital of Nanjing Xinchuang, being 72.5% and 2.5% of its equity interest, to Ms. Li Juan and Mr. Cheng Li respectively; and Mr. Pan Zhiyu transferred RMB250,000 of the registered capital of Nanjing Xinchuang, being 12.5% of its equity interest, to Mr. Cheng Li; and in December 2014, Nanjing Xinchuang, Ms. Li Juan and Mr. Cheng Li entered into the Contractual Arrangement with Nanjing Xibai pursuant to which Nanjing Xibai is deemed to hold 100% equity interest in Nanjing Xinchuang.

As confirmed by three entrustment confirmation agreements all dated 16 January 2015, (a) since the establishment of Nanjing Xinchuang in April 2005 until the contribution of capital increase by Jiangsu Xi'an in March 2012, Ms. Li Juan had been the beneficial owner of Nanjing Xinchuang and the equity interests of Nanjing Xinchuang were held on trust by Mr. Wu Haiming and Mr. Pan Zhiyu in her favour; and (b) upon the contribution of capital increase by Jiangsu Xi'an in March 2012, Ms. Li Juan disposed of her beneficial interest in Nanjing Xinchuang to Jiangsu Xi'an and the original trust arrangements between Mr. Wu Haiming and Mr. Pan Zhiyu as trustees and Ms. Li Juan as beneficiary were terminated, and since then and until the transfer of Nanjing Xinchuang in November 2014, the registered holders of the 25% equity interests of Nanjing Xinchuang, namely Mr. Pan Zhiyu and Mr. Wu Haiming (and subsequently Ms. Li Juan), held the said equity interests on trust for Jiangsu Xi'an.

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4. Nanjing Fuyuan

Nanjing Fuyuan is directly held as to 66.7% by Nanjing Xinchuang and therefore deemed to be a 66.7%-owned subsidiary of our Company pursuant to the Contractual Arrangement, and is principally engaged in the provision of technical support and consultant related services. During the Track Record Period, the revenue and net profit of our Group contributed by Nanjing Fuyuan were insignificant as there was no material business operation conducted by Nanjing Fuyuan. It was established as a limited liability company in the PRC on 30 March 2006 with an initial registered capital of RMB3,000,000, of which RMB2,000,000, RMB600,000 and RMB400,000 were contributed by Nanjing Xinchuang, 江蘇漢博教育培訓中心 (Jiangsu Hanbo Education Training Centre*) (“**Jiangsu Hanbo**”) and 東南大學 (Southeast University*). Upon its establishment, Nanjing Fuyuan was held as to approximately 66.7% by Nanjing Xinchuang, 20% by Jiangsu Hanbo and 13.3% by Southeast University respectively.

In May 2008, pursuant to the order of the PRC Ministry of Education, Southeast University transferred its 13.3% equity interest in Nanjing Fuyuan to 江蘇東南大學資產經營有限公司 (Jiangsu Southeast University Asset Management Co., Ltd.*) (“**Jiangsu Southeast University Asset Management**”). After the transfer, Nanjing Fuyuan was held as to approximately 66.7% by Nanjing Xinchuang, 20% by Jiangsu Hanbo and 13.3% by Jiangsu Southeast University Asset Management respectively. Each of Jiangsu Hanbo and Jiangsu Southeast University Asset Management is our connected person at subsidiary level for the purpose of GEM Listing Rules.

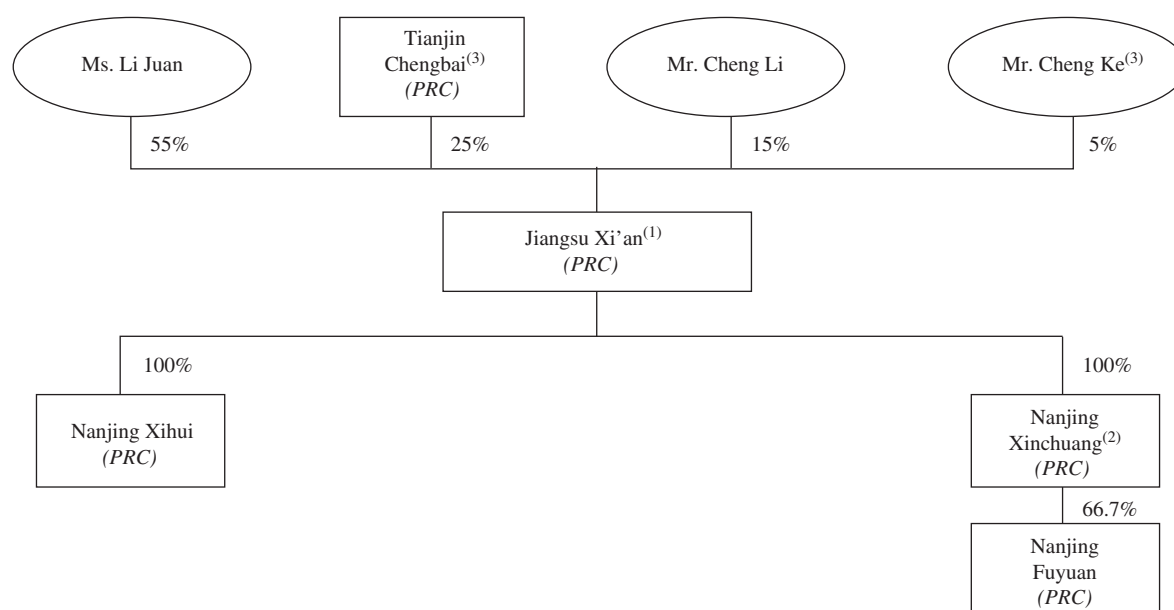
5. Nanjing Xile

Nanjing Xile is a non-wholly owned subsidiary of our Company and has not yet commenced any material business operation. It was established as a limited liability company in the PRC on 6 March 2015 with an initial registered capital of RMB100,000, of which RMB51,000 and RMB49,000 to be contributed by Nanjing Xibai and Mr. Zhao Hongwei (趙宏衛) respectively. Upon its establishment, Nanjing Xile was held as to approximately 51% by Nanjing Xibai and 49% by Mr. Zhao Hongwei respectively. Mr. Zhao Hongwei is our connected person at subsidiary level for the purpose of GEM Listing Rules.

HISTORY AND CORPORATE STRUCTURE

REORGANIZATION

In preparation for the Placing, we carried out a series of restructuring steps for the purpose of establishing and streamlining our corporate structure for the Listing and to facilitate our growth and expansion strategy. The shareholding and corporate structure of our Group immediately before the Reorganization is set out as follows:



Notes:

- (1) Jiangsu Xi'an is principally engaged in the operation of platform for distribution of Internet games which target at online gaming market as well as the provision of subcontracting and technical support services to other online game developers and platform operators and would not form part of our Group's business immediately after the Reorganization. For further information of Jiangsu Xi'an, please refer to the section headed "Relationship with our Controlling Shareholders — Information of Jiangsu Xi'an" in this prospectus.
- (2) The equity interest in Nanjing Xinchuang was then held as to 75% by Jiangsu Xi'an, 12.5% by Ms. Li Juan and 12.5% by Mr. Pan Zhiyu, an Independent Third Party. Each of Ms. Li Juan and Mr. Pan Zhiyu held the equity interests in Nanjing Xinchuang on trust for Jiangsu Xi'an.
- (3) The indirect interests of Tianjin Chengbai and Mr. Cheng Ke in Nanjing Xihui and Nanjing Xinchuang through Jiangsu Xi'an were accounted for as non-controlling interests of our Group. As part of the Reorganization, Ms. Li Juan and Mr. Cheng Li acquired the entire interests of Nanjing Xihui and Nanjing Xinchuang from Jiangsu Xi'an pursuant to several share transfer agreements in November 2014, and pursuant to the implementation of the Contractual Arrangement in December 2014, Nanjing Xihui and Nanjing Xinchuang were accounted for as wholly-owned subsidiaries of our Company. For further details, please refer to the paragraph headed "Implementation of the Contractual Arrangement" below.

HISTORY AND CORPORATE STRUCTURE

Incorporation of our Company and offshore subsidiaries

Our Company:

On 13 October 2014, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares with par value of HK\$0.01 each. Upon its incorporation, 1 Share was allotted and issued to the initial subscriber, which was transferred to Ms. Li Juan on the same day.

Shining World:

On 18 August 2014, Shining World was incorporated with limited liability in the BVI and the maximum number of shares that Shining World is authorised to issue is 50,000 shares with par value of US\$1.00 each. On the same day, 50,000 shares with par value of US\$1.00 each were allotted and issued to Ms. Li Juan.

Star Universal:

On 5 September 2014, Star Universal was incorporated with limited liability in Hong Kong with an initial share capital of HK\$1.00 of 1 founder share. On 9 September 2014, the 1 founder share was transferred to Ms. Li Juan. On the same date, the share capital was increased to HK\$10,000 with the allotment of an additional 9,999 shares to Ms. Li Juan.

Acquisition of Star Universal by Shining World

On 21 October 2014, Ms. Li Juan transferred 10,000 shares representing the entire share capital of Star Universal to Shining World at a consideration of HK\$10,000 which was determined based on the then share capital of Star Universal. The transfer had been properly and legally settled, and completed with the register of members of Star Universal updated on 21 October 2014. Following which, Star Universal became a wholly-owned subsidiary of Shining World.

Acquisition of Shining World by our Company

On 27 October 2014, Ms. Li Juan transferred 50,000 shares with par value of US\$1.00 each of Shining World to our Company at a nominal consideration of US\$1.00. The transfer had been properly and legally settled, and completed with the register of members of Shing World updated on 27 October 2014. Following which, Shining World became a wholly-owned subsidiary of our Company.

Allotment of shares by our Company to Loyal Alliance, Prime Wish, Ample Sense, Perfect Home, Victory Glory and Properous Commitment

On 3 November 2014, Ms. Li Juan transferred 1 Share to Loyal Alliance at consideration of HK\$0.01. On the same date, our Company allotted and issued 344 Shares, 300 Shares, 80 Shares, 75 Shares, 150 Shares and 50 Shares to Loyal Alliance, Prime Wish, Ample Sense, Perfect Home, Victory Glory and Properous Commitment respectively. The transfer and allotments had been properly and

HISTORY AND CORPORATE STRUCTURE

legally settled, and completed with the register of members of our Company updated on 3 November 2014. Following which, our Company was held as to 34.5% by Loyal Alliance, 30% by Prime Wish, 8% by Ample Sense, 7.5% by Perfect Home, 15% by Victory Glory and 5% by Properous Commitment respectively.

Each of Loyal Alliance, Prime Wish, Ample Sense and Perfect Home is wholly-owned by Ms. Li Juan, who held the share capital of our Company through various holding vehicles in view of facilitating any future investment arrangement. Victory Glory is wholly-owned by Mr. Cheng Li. Properous Commitment is wholly-owned by Mr. Hsieh Kun Tse, a non-executive Director.

Investments by Shanghai AMVC and Beijing Zhongchengma

Pursuant to the Investment Agreement dated October 2014 among Jiangsu Xi'an, Ms. Li Juan, Beijing Zhongchengma and Shanghai AMVC, Beijing Zhongchengma and Shanghai AMVC agreed to acquire the 25% of the equity interest of Jiangsu Xi'an held by Tianjin Chengbai. It was agreed that after the Reorganization, including the implementation of the Contractual Arrangement, Beijing Zhongchengma and Shanghai AMVC, through their designated special purpose vehicles, would have shareholdings in our Company reflecting their investments in Jiangsu Xi'an. To implement the Investment Agreement, a share transfer agreement dated 1 December 2014 was entered into between Tianjin Chengbai as transferor and Nanjing Zhongchengma, which was held as to 58% by Shanghai AMVC and 42% by Beijing Zhongchengma, for the transfer of RMB3,333,333 of the registered capital of Jiangsu Xi'an, representing 25% of its total equity interest at a consideration of RMB41,500,000 which was determined after arm's length negotiations with regard to the financial condition and results of operations of Jiangsu Xi'an and its subsidiaries as well as the cost and reasonable return of Tianjin Chengbai's original investment. To reflect their shareholdings in Jiangsu Xi'an, pursuant to two instruments of transfer dated 19 December 2014 and 22 December 2014 respectively, Loyal Alliance transferred 145 Shares and 105 Shares, representing 14.5% and 10.5% of the then issued share capital of our Company, to Winner Zone and Sharp Knight respectively. Pursuant to two declarations of trust both dated 13 January 2015, Winner Zone and Sharp Knight held the said shareholdings as trustees for and on behalf of Shanghai AMVC and Beijing Zhongchengma respectively. Upon completion of the transfers, Jiangsu Xi'an was held as to 55% by Ms. Li Juan, 25% by Nanjing Zhongchengma, 15% by Mr. Cheng Li and 5% by Mr. Cheng Ke; and our Company was held as to 9.5% by Loyal Alliance, 30% by Prime Wish, 8% by Ample Sense, 7.5% by Perfect Home, 15% by Victory Glory, 5% by Properous Commitment, 14.5% by Winner Zone and 10.5% by Sharp Knight. For further details of the investments of Beijing Zhongchengma and Shanghai AMVC, please refer to the sub-section headed "Pre-IPO Investments — Investments of Beijing Zhongchengma and Shanghai AMVC" in this section.

Mr. Cheng Ke is the representative of employees of Jiangsu Xi'an and an Independent Third Party. The relevant registered capital of Jiangsu Xi'an in the amount of RMB667,000 (which represented 5% of the total equity interest of Jiangsu Xi'an at the time of investments of Shanghai AMVC and Beijing Zhongchengma) held in the name of Mr. Cheng Ke had been transferred to him by Ms. Li Juan in March 2012. The said transfer was based on the understanding that the said equity interest in Jiangsu Xi'an would be applied for the purpose of implementation of future share incentive schemes for eligible employees of Jiangsu Xi'an and its subsidiaries. To reflect such arrangement in the overseas structure, it was decided that Properous Commitment, which is directly and wholly owned by Mr. Hsieh Kun Tse, a non-executive Director, will replace Mr. Cheng Ke in holding 5% of the

HISTORY AND CORPORATE STRUCTURE

issued share capital of our Company immediately after the Reorganization but before the Placing and such shareholding will be used for implementation of future share incentive schemes for eligible employees of our Group at the direction and pursuant to the instructions of our Board. The decision for Properous Commitment, and hence Mr. Hsieh Kun Tse, as the holder of the shareholding for the future share incentive schemes was agreed among the then beneficial owners of our Company (including the pre-IPO investors, namely Beijing Zhongchengma and Shanghai AMVC) after taking into account the background and fund management experience of Mr. Hsieh Kun Tse as the representative of Shanghai AMVC. Furthermore, Shanghai AMVC (through Winner Zone) has also subsequently transferred a further 1.45% of the then issued share capital of our Company for the benefit of the future share incentive schemes. For further details of the said transfer, please refer to the paragraph headed “Other Transfers of Shares before the Placing” below.

Establishment of Nanjing Xibai

On 10 December 2014, Nanjing Xibai was established in the PRC as a wholly foreign owned enterprise with a registered capital of HK\$15,000,000 which will be contributed by Star Universal. Pursuant to the articles of association of Nanjing Xibai as approved by 南京市投資促進委員會 (Nanjing Municipal Investment Promotion Commission), the initial registered capital of Nanjing Xibai shall be contributed before 31 December 2020.

Implementation of the Contractual Arrangement

Acquisition of our PRC Contractual Entities by Ms. Li Juan and Mr. Cheng Li from Jiangsu Xi'an

As part of the Reorganization and in preparation for the Contractual Arrangement, pursuant to two share transfer agreements both dated 20 November 2014, Jiangsu Xi'an transferred RMB750,000 and RMB4,250,000 of the registered capital of Nanjing Xihui, representing 15% and 85% of its total equity interest, to Mr. Cheng Li and Ms. Li Juan at considerations of RMB750,000 and RMB4,250,000, which were determined with reference to the then registered capital of Nanjing Xihui, respectively. The transfers had been properly and legally settled and completed. Upon completion of the transfers, Nanjing Xihui was held as to 85% and 15% by Ms. Li Juan and Mr. Cheng Li respectively.

As part of the Reorganization and in preparation for the Contractual Arrangement, pursuant to three share transfer agreements dated 20 November 2014, 25 November 2014 and 25 November 2014 respectively, Mr. Pan Zhiyu transferred RMB250,000 of the registered capital of Nanjing Xinchuang, representing 12.5% of its total equity interest, to Mr. Cheng Li at a consideration of RMB250,000, which was determined with reference to the then registered capital of Nanjing Xinchuang; and Jiangsu Xi'an transferred RMB1,450,000 and RMB50,000 of the registered capital of Nanjing Xinchuang, representing 72.5% and 2.5% of its total equity interest, to Ms. Li Juan and Mr. Cheng Li at considerations of RMB1,450,000 and RMB50,000, which were determined with reference to the then registered capital of Nanjing Xinchuang, respectively. The transfers had been properly and legally settled and completed. Upon completion of the transfers, Nanjing Xinchuang was held as to 85% and 15% by Ms. Li Juan and Mr. Cheng Li respectively.

HISTORY AND CORPORATE STRUCTURE

Execution of the Structured Contracts

For the implementation of the Contractual Arrangement, the following structured contracts were entered into on 30 December 2014 with respect to the contractual arrangement of the PRC Contractual Entities with Nanjing Xibai, details of which are set out in the section headed “Contractual Arrangement” in this prospectus:

- (a) business cooperation agreement (業務合作協議);
- (b) exclusive technology service and management consultation agreement (獨家技術服務及管理諮詢協議);
- (c) exclusive option agreement (獨家購買權協議);
- (d) shareholders’ rights entrustment agreement (股東權利委託協議); and
- (e) equity interest pledge agreement (股權質押協議).

Other Transfers of Shares before the Placing

Transfers of Shares among BVI companies held by Ms. Li Juan

To simplify the shareholding structure, on 30 January 2015, (i) Prime Wish transferred 30 Shares to Loyal Alliance at consideration of HK\$0.3; (ii) Ample Sense transferred 80 Shares to Loyal Alliance at consideration of HK\$0.8; and (iii) Perfect Home transferred 75 Shares to Loyal Alliance at consideration of HK\$0.75.

Transfer of Shares from Winner Zone to Properous Commitment

In view of the contribution of 5% of the then issued share capital of our Company for employee benefits by Ms. Li Juan, which is held in the name of Properous Commitment, Shanghai AMVC agreed to contribute 1.45% of the then issued share capital of our Company for implementation of future share incentive schemes for eligible employees of our Group at the direction and pursuant to the instruction of the Board. As such, on 30 January 2015, Winner Zone, as trustee of Shanghai AMVC, transferred 14.5 Shares to Properous Commitment, which already held 5% of the then issued share capital of our Company for similar purpose at consideration of HK\$0.145 under the direction of Shanghai AMVC.

The above transfers had been properly and legally settled, and completed with the register of members of our Company updated on 30 January 2015. Upon completion of the transfers, our Company was held as to 28% by Loyal Alliance, 27% by Prime Wish, 15% by Victory Glory, 6.45% by Properous Commitment, 13.05% by Winner Zone and 10.5% by Sharp Knight.

HISTORY AND CORPORATE STRUCTURE

The percentage of the issued share capital of our Company held by Properous Commitment will be diluted to approximately 5.16% immediately after completion of the Placing and the Capitalization Issue (assuming the Over-allotment Option and any options which may be granted under the Share Option Scheme are not exercised). As mentioned above, Properous Commitment will hold the Shares for implementation of future share incentive schemes for eligible employees of our Group. To implement such schemes, our Company intends to adopt a share award plan which will set out the rules governing the awards of the Shares to eligible employees after Listing. The purpose of the proposed share award plan is to recognize and reward the contributions of the eligible employees of our Group to the growth and development of our Group through the award of Shares. Upon adoption of the proposed share award plan, Properous Commitment, as settlor, will enter into a deed of settlement pursuant to which it will declare its Shares as trust property for the purpose of the proposed share award plan, of which our Company will engage a professional trustee for its operation and management. Please refer to the paragraph headed “Proposed Share Award Plan” in Appendix IV “Statutory and General Information” of this prospectus for further details of the terms of the proposed share award plan.

Our Company intends to adopt the proposed share award plan within 12 months from Listing. Before the adoption of the proposed share award plan, to safeguard the interests of the eligible employees as well as our Company, Properous Commitment has undertaken, and Mr. Hsieh Kun Tse, our non-executive Director who wholly owns Properous Commitment, has also undertaken to procure Properous Commitment, to hold on trust and in escrow the Shares held by it and any related dividends and other distributions for the benefit of the eligible employees of our Group, and not to exercise any shareholders’ rights (including the voting rights) with respect thereto until the settlement of the same for the purpose of the proposed share award plan. Each of Properous Commitment and Mr. Hsieh Kun Tse has further undertaken that each of them will take all necessary steps in accordance with the instructions of our Company for implementation of the proposed share award plan. The Board will make appropriate announcement in accordance with the requirements of the GEM Listing Rules upon adoption of the proposed share award plan. To avoid potential conflict of interest, Mr. Hsieh Kun Tse will abstain from voting in any relevant resolutions of the Board. Before the adoption of the proposed share award plan, the Board will review from time to time the compliance of the Properous Commitment and Mr. Hsieh Kun Tse of their aforesaid undertakings, and report the same in the quarterly / interim / annual reports of our Company.

HISTORY AND CORPORATE STRUCTURE

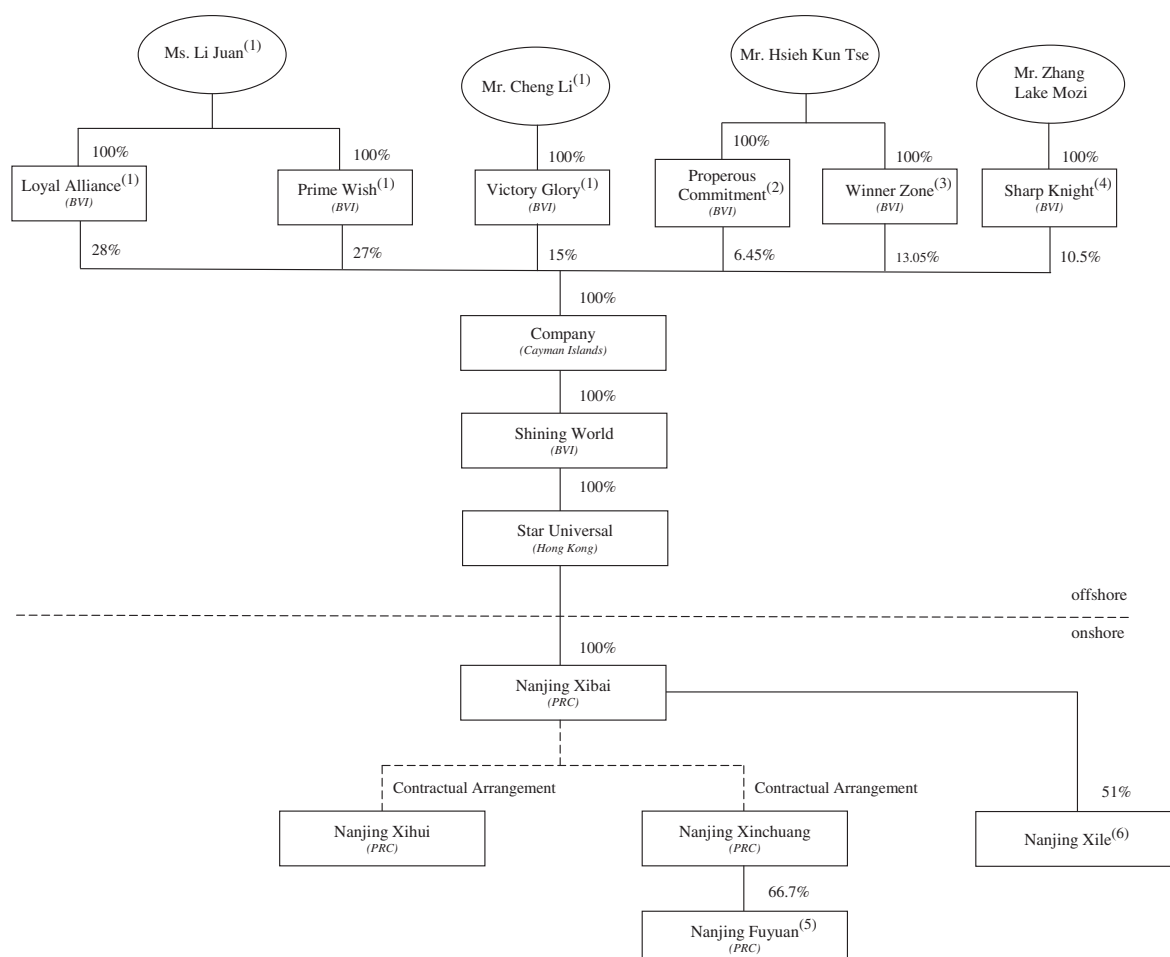
Establishment of Nanjing Xile

On 6 March 2015, Nanjing Xile was established in the PRC with an initial registered capital of RMB100,000, of which RMB51,000 and RMB49,000 will be contributed by Nanjing Xibai and Mr. Zhao Hongwei (趙宏衛) respectively, which will focus on the development of interactive family entertainment products. Pursuant to the articles of association of Nanjing Xile, the initial registered capital of Nanjing Xile shall be contributed on or before 26 February 2018. Mr. Zhao Hongwei has been a business partner with our Group. We established Nanjing Xile jointly with Mr. Zhao Hongwei in order to reduce our business risk.

SHAREHOLDING AND CORPORATE STRUCTURE

Our Shareholding and Corporate Structure after Completion of the Reorganization but before the Placing

The shareholding and corporate structure of our Group immediately after completion of the Reorganization is set out as follows:



Notes:

(1) Ms. Li Juan, Mr. Cheng Li, Loyal Alliance, Prime Wish and Victory Glory are our Controlling Shareholders.

HISTORY AND CORPORATE STRUCTURE

- (2) The issued share capital of our Company held by Properous Commitment will be used for implementation of future share incentive schemes for eligible employees of our Group at the direction and pursuant to the instructions of the Board. Properous Commitment is wholly owned by Mr. Hsieh Kun Tse, a non-executive Director. The Shares held by Properous Commitment will not be counted towards public float for the purpose of Rule 11.23 of the GEM Listing Rules, and will be subject to a 12-month lock-up arrangement after the Listing save for the purpose of implementation of share incentive schemes with the consent of our Company, and in event that Shares are transferred pursuant to share incentive schemes with the consent of our Company during the 12-month lock-up period, the transferees of such Shares will give a similar lock-up undertaking for the remaining period.
- (3) Pursuant to a declaration of trust dated 13 January 2015, Winner Zone held the issued share capital of our Company as trustee for and on behalf of Shanghai AMVC, the general partner of which is Shanghai AMVC Investment Management Center (A Limited Partnership) (上海早鳥投資管理中心(有限合夥)), which is in turn co-founded and controlled by Mr. Hsieh Kun Tse, a non-executive Director. Winner Zone is wholly owned by Mr. Hsieh Kun Tse, a non-executive Director. The Shares held by Winner Zone will not be counted towards public float for the purpose of Rule 11.23 of the GEM Listing Rules, and will be subject to a lock-up arrangement whereby (a) during the first 6-month period from the Listing, Winner Zone shall not dispose of any of the Shares and (b) during the second 6-month period after the expiry of the first 6-month period, Winner Zone shall not dispose of more than one-third of the Shares held by it.
- (4) Pursuant to a declaration of trust dated 13 January 2015, Sharp Knight held the issued share capital of our Company as trustee for and on behalf of Beijing Zhongchengma, which is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi. Sharp Knight is wholly owned by Mr. Zhang Lake Mozi, an executive Director. The Shares held by Sharp Knight will not be counted towards public float for the purpose of Rule 11.23 of the GEM Listing Rules, and will be subject to a 12-month lock-up arrangement after the Listing.
- (5) The remaining 33.3% equity interest in Nanjing Fuyuan is held as to 20% by Jiangsu Hanbo and 13.3% by Jiangsu Southeast University Asset Management. Each of Jiangsu Hanbo and Jiangsu Southeast University Asset Management is our connected person at subsidiary level for the purpose of GEM Listing Rules.
- (6) The remaining 49% equity interest in Nanjing Xile is held by Mr. Zhao Hongwei (趙宏衛). Mr. Zhao Hongwei is our connected person at subsidiary level for the purpose of GEM Listing Rules.

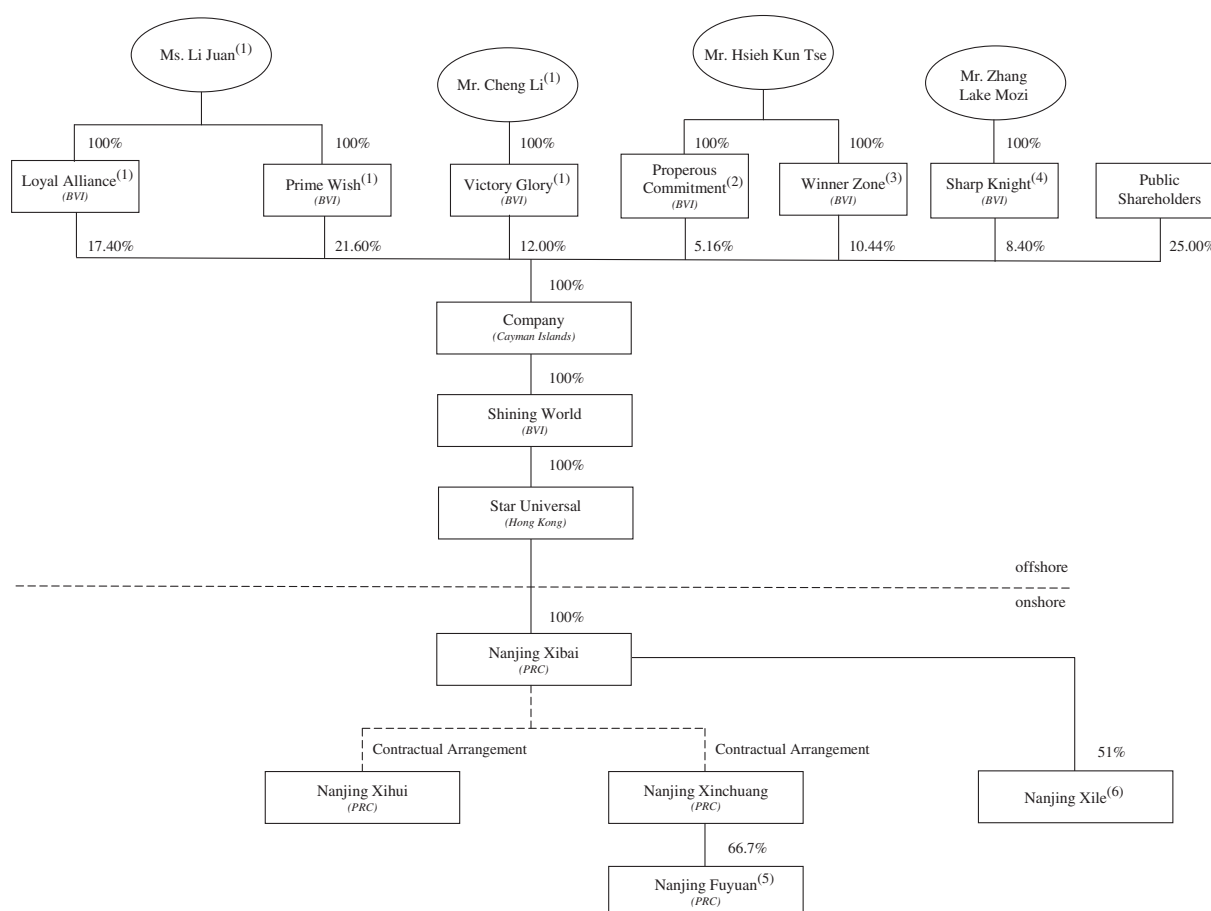
Capitalization Issue and Placing

Conditional upon the creation of our Company's share premium account as a result of the issue of the Placing Shares pursuant to the Placing, an amount of HK\$7,999,990 standing to the credit of the share premium account of our Company will be capitalized by applying such sum towards paying up in full at par a total of 799,999,000 Shares for allotment and issue to the then existing Shareholders.

HISTORY AND CORPORATE STRUCTURE

Our Shareholding and Corporate Structure after Completion of the Placing and the Capitalization Issue

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



Notes:

- (1) Ms. Li Juan, Mr. Cheng Li, Loyal Alliance, Prime Wish and Victory Glory are our Controlling Shareholders.
- (2) The issued share capital of our Company held by Properous Commitment will be used for implementation of future share incentive schemes for eligible employees of our Group at the direction and pursuant to the instructions of the Board. Properous Commitment is wholly owned by Mr. Hsieh Kun Tse, a non-executive Director. The Shares held by Properous Commitment will not be counted towards public float for the purpose of Rule 11.23 of the GEM Listing Rules, and will be subject to a 12-month lock-up arrangement after the Listing save for the purpose of implementation of share incentive schemes with the consent of our Company, and in event that Shares are transferred pursuant to share incentive schemes with the consent of our Company during the 12-month lock-up period, the transferees of such Shares will give a similar lock-up undertaking for the remaining period.

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- (3) Pursuant to a declaration of trust dated 13 January 2015, Winner Zone held the issued share capital of our Company as trustee for and on behalf of Shanghai AMVC, the general partner of which is Shanghai AMVC Investment Management Center (A Limited Partnership) (上海早鳥投資管理中心(有限合夥)), which is in turn co-founded and controlled by Mr. Hsieh Kun Tse, a non-executive Director. Winner Zone is wholly owned by Mr. Hsieh Kun Tse, a non-executive Director. The Shares held by Winner Zone will not be counted towards public float for the purpose of Rule 11.23 of the GEM Listing Rules, and will be subject to a lock-up arrangement whereby (a) during the first 6-month period from the Listing, Winner Zone shall not dispose of any of the Shares and (b) during the second 6-month period after the expiry of the first 6-month period, Winner Zone shall not dispose of more than one-third of the Shares held by it.
- (4) Pursuant to a declaration of trust dated 13 January 2015, Sharp Knight held the issued share capital of our Company as trustee for and on behalf of Beijing Zhongchengma, which is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi. Sharp Knight is wholly owned by Mr. Zhang Lake Mozi, an executive Director, and hence a connected person. The Shares held by Sharp Knight will not be counted towards public float for the purpose of Rule 11.23 of the GEM Listing Rules, and will be subject to a 12-month lock-up arrangement after the Listing.
- (5) The remaining 33.3% equity interest in Nanjing Fuyuan is held as to 20% by Jiangsu Hanbo and 13.3% by Jiangsu Southeast University Asset Management. Each of Jiangsu Hanbo and Jiangsu Southeast University Asset Management is our connected person at subsidiary level for the purpose of GEM Listing Rules.
- (6) The remaining 49% equity interest in Nanjing Xile is held by Mr. Zhao Hongwei (趙宏衛). Mr. Zhao Hongwei is our connected person at subsidiary level for the purpose of GEM Listing Rules.

PRE-IPO INVESTMENTS

Investments of Beijing Zhongchengma and Shanghai AMVC

Pursuant to the Investment Agreement dated October 2014 among Jiangsu Xi'an, Ms. Li Juan, Beijing Zhongchengma and Shanghai AMVC, Beijing Zhongchengma and Shanghai AMVC agreed to acquire the 25% of the equity interest of Jiangsu Xi'an held by Tianjin Chengbai. It was agreed that after the Reorganization, including the implementation of the Contractual Arrangement, Beijing Zhongchengma and Shanghai AMVC, through their designated special purpose vehicles, would have shareholdings in our Company reflecting their investments in Jiangsu Xi'an. To implement the Investment Agreement, a share transfer agreement dated 1 December 2014 was entered into between Tianjin Chengbai as transferor and Nanjing Zhongchengma, which was held as to 58% by Shanghai AMVC and 42% by Beijing Zhongchengma, for the transfer of RMB3,333,333 of the registered capital of Jiangsu Xi'an, representing 25% of its total equity interest at a consideration of RMB41,500,000 which was determined after arm's length negotiations with regard to the financial condition and results of operations of Jiangsu Xi'an and its subsidiaries as well as the cost and reasonable return of Tianjin Chengbai's original investment. To reflect their shareholdings in Jiangsu Xi'an, pursuant to two instruments of transfer dated 19 December 2014 and 22 December 2014 respectively, Loyal Alliance transferred 145 Shares and 105 Shares, representing 14.5% and 10.5% of the then issued share capital of our Company, to Winner Zone and Sharp Knight respectively. Pursuant to two declarations of trust both dated 13 January 2015, Winner Zone and Sharp Knight held the said shareholdings as trustees for and on behalf of Shanghai AMVC and Beijing Zhongchengma respectively. Upon completion of the transfers, Jiangsu Xi'an was held as to 55% by Ms. Li Juan, 25% by Nanjing Zhongchengma, 15% by Mr. Cheng Li and 5% by Mr. Cheng Ke; and our Company was held as to 9.5% by Loyal Alliance, 30% by Prime Wish, 8% by Ample Sense, 7.5% by Perfect Home, 15% by Victory Glory, 5% by Properous Commitment, 14.5% by Winner Zone and 10.5% by Sharp Knight.

HISTORY AND CORPORATE STRUCTURE

The consideration under the Investment Agreement had been fully settled on 26 November 2014. Beijing Zhongchengma and Shanghai AMVC were not given any special rights with respect to their respective investments and the terms of the Investment Agreement did not impose any lock-up obligations over the Shares held by Beijing Zhongchengma and Shanghai AMVC upon Listing. However, Beijing Zhongchengma has separately voluntarily undertaken to our Company, the Sole Sponsor and the Sole Global Coordinator that, except pursuant to the Placing or any offer for sale contained in this prospectus, during the 12-month period from the Listing Date, Beijing Zhongchengma would procure Sharp Knight not to dispose of or transfer any of the Shares held by Sharp Knight, and Shanghai AMVC has separately voluntarily undertaken to our Company, the Sole Sponsor and the Sole Global Coordinator that, except pursuant to the Placing or any offer for sale contained in this prospectus, Shanghai AMVC would procure Winner Zone that (a) during the first 6-month period from the Listing, Winner Zone shall not dispose of any of the Shares and (b) during the second 6-month period after the expiry of the first 6-month period, Winner Zone shall not dispose of more than one-third of the Shares held by it. The Shares held by Sharp Knight and Winner Zone, as trustees for and on behalf of Beijing Zhongchengma and Shanghai AMVC respectively, will not be counted towards the public float after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules.

The following table summarizes the details of the investments of Beijing Zhongchengma and Shanghai AMVC:

Name of Investors	(a) Beijing Zhongchengma
	(b) Shanghai AMVC
Information of Investors	(a) Beijing Zhongchengma is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi, an executive Director.
	(b) Shanghai AMVC is jointly established in the PRC by Mr. Zhang Wei, a limited partner of Shanghai AMVC and an Independent Third Party, and Shanghai AMVC Investment Management Center (A Limited Partnership) (上海早鳥投資管理中心(有限合夥)), the general partner of Shanghai AMVC, which is in turn co-founded and controlled by Mr. Hsieh Kun Tse, a non-executive Director and principally engaged in investment of private enterprises in cultural brands development and copyright-related businesses.

HISTORY AND CORPORATE STRUCTURE

Completion date and date of payment of consideration of Investments	26 November 2014
Number of Equity Interest/ Shares Acquired	<p>Nanjing Zhongchengma, which was held as to 42% by Beijing Zhongchengma and 58% by Shanghai AMVC, acquired 25% of the total equity interest of Jiangsu Xi'an.</p> <p>Beijing Zhongchengma (through Sharp Knight as its trustee) and Shanghai AMVC (through Winner Zone as its trustee) acquired 105 Shares and 145 Shares (representing approximately 10.5% and 14.5% of the then issued share capital of our Company) (without taking into account the voluntary transfer of 1.45% shareholding of our Company by Winner Zone to Properous Commitment at the direction of Shanghai AMVC for implementation of future share incentive schemes for eligible employees of our Group)</p>
Amount of consideration	RMB41,500,000 paid by Nanjing Zhongchengma, which was held as to 58% by Shanghai AMVC and 42% by Beijing Zhongchengma
Number of Shares held by Investors upon the Capitalization Issue	<p>(a) Beijing Zhongchengma: 84,000,000 Shares (representing approximately 10.5% and 8.4% of our issued share capital upon the Capitalization Issue and completion of the Placing respectively)</p> <p>(b) Shanghai AMVC: 104,400,000 Shares (representing approximately 13.05% and 10.44% of our issued share capital upon the Capitalization Issue and completion of the Placing respectively) (without taking into account the voluntary transfer of 1.45% shareholding of our Company (before the Capitalization Issue) by Winner Zone to Properous Commitment at the direction of Shanghai AMVC for implementation of future share incentive schemes for eligible employees of our Group)</p> <p>(assuming the Over-allotment Option is not exercised and taking into no account of the exercise of any options which may be granted under the Share Option Scheme)</p>
Cost per Share paid by the Investors (taking into account the Capitalization Issue)	HK\$0.28 (representing a discount of approximately 78.9% to the mid-point of the indicative offer price range of HK\$1.20 to HK\$1.45)
Special Rights	Beijing Zhongchengma and Shanghai AMVC were not given any special rights with respect to their respective investments.

HISTORY AND CORPORATE STRUCTURE

Use of Proceeds

The consideration of RMB41,500,000 for the acquisition of the 25% of the total equity interest in Jiangsu Xi'an was paid by Nanjing Zhongchengma to Tianjian Chengbai.

Sponsor's Confirmation

The Sole Sponsor has determined that the terms of the investments of Beijing Zhongchengma and Shanghai AMVC are under normal commercial terms and confirmed that the said investments are in compliance with the Interim Guidance on Pre-IPO Investment issued the Stock Exchange on 13 October 2010 (as amended), Guidance Letters HKEx-GL44-12 (issued in October 2012) and HKEx-GL43-12 (issued in October 2012 and updated in July 2013), based on the review of the relevant documentation.

LEGAL COMPLIANCE

Our PRC legal advisers has confirmed that all relevant approvals and permits in relation to the share transfers in respect of the PRC companies in our Group as described above had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations.

M&A Rules

According to the Provisions of the Ministry of Commerce on M&A of a Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules") jointly issued by the Ministry of Commerce of the PRC (the "MOFCOM"), the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation (the "SAT"), the China Securities Regulatory Commission (the "CSRC"), State Administration for Industry & Commerce (the "SAIC") and the State Administration of Foreign Exchange (the "SAFE") on 8 September 2006, effective as of 8 September 2006 and amended on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisers consider that, despite the above regulations, the CSRC has not formulated explicit requirements and relevant explicit interpretation documents as to the relevant matters that if the overseas listing of a foreign enterprise by way of contractual arrangement shall be subject to the M&A Rules. In addition, the MOFCOM has not promulgated explicit regulations or regulatory documents as to the relevant matters relating to the overseas listing by way of contractual arrangement.

HISTORY AND CORPORATE STRUCTURE

Meanwhile, the M&A Rules provide that the merge of a domestic company by a special purpose vehicle (the “SPV”) through acquisition of equity interests shall be subject to the preliminary review of the MOFCOM and the approval of the CSRC. After relevant verification, the Listing of the Company issue does not involve the merge of any domestic company through acquisition of equity interests.

Therefore, our PRC Legal Advisers are of the opinion that, subject to the relevant PRC laws and regulations, no approval of the CSRC or the MOFCOM is required for the Company and its PRC subsidiaries for the purpose of the Listing. However, our PRC Legal Advisers cannot exclude the possibility that the CSRC or the MOFCOM may pass any interpretation or clarification of the M&A Rules or introduce any new rules, regulations, guidelines or otherwise, which require the Company and its PRC subsidiaries to obtain its approval for the Listing. In such case, the Company and its PRC subsidiaries shall apply for and obtain such approval mentioned above according to the then requirements accordingly.

SAFE Registration in the PRC

Pursuant to the SAFE Circular No. 37, where the PRC individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. The SAFE Circular No. 37 also requires the PRC residents to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including PRC resident, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division.

Our PRC Legal Advisers have confirmed that each of Ms. Li Juan and Mr. Cheng Li, being PRC individual residents and beneficial owners of our Company, has registered at SAFE in respect of his or her investment in our Group in accordance with the PRC laws.

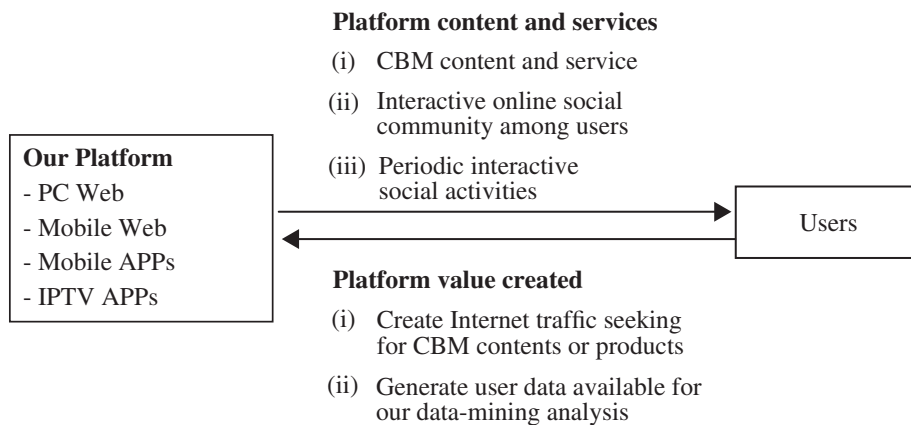
BUSINESS

OVERVIEW

We are an online platform focusing on the CBM market in China. Through our large and engaged user base of CBM consumers, we are mainly engaged in (i) provision of marketing and promotional service; (ii) e-commerce business; and (iii) licensing of smart-hardware devices (智能硬件產品). Since we only commenced our e-commerce business in September 2014 and the cooperation for the research and development of smart-hardware devices (智能硬件產品) in August 2014, almost all of our revenue during the Track Record Period was attributable to the provision of marketing and promotional service, which mainly comprises display of online advertisement on our Platform, couple with a series of promotional and technical support service and website redirecting, details of which are set out in “Our Revenue Model — A. Our marketing and promotional service” in this section. Through our Platform, including PC Web, Mobile Web, Mobile APPs and IPTV APPs, we deliver comprehensive, up-to-date and interactive CBM related information and content to our users. According to iResearch Report, in December 2013 and December 2014, our flagship platform, PC Web, had a MAU of 14.3 million and 30.7 million, respectively, and a DAU of 0.6 million and 1.3 million, respectively. For each of the two years ended 31 December 2013 and 2014, our PC Web had an average MAU of 16.9 million and 19.0 million, respectively, and an average DAU of 0.8 million and 0.9 million, respectively.

Our business model

The following diagram illustrates a brief layout of our business model:



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Our revenue model

The following table illustrates a brief layout of our revenue model:

Monetization strategy	Revenue source	Revenue earning basis
Provision of marketing and promotional service	(a) (i) Advertising agencies	(a) Duration of advertisement space on our Platform
	(ii) CBM product manufacturers and service providers	
e-commerce business	(b) Third-party online shopping platform	(b) A fixed percentage of the total sum of the price of products sold generated from website redirecting
	Our users	Selling price of products sold by us
Licensing of smart-hardware devices	Third-party device manufacturer	Licensing fee based on the number of smart-hardware devices sold

(A) *Our Platform*

Our Platform comprises a number of key components, which include (A) the PC Web; (B) Mobile Web; (C) Mobile APPs; and (D) IPTV APPs. In addition, we also promote the contents of our Platform through social media platforms operated by Independent Third Parties, including Wechat and Weibo.

(B) *Platform content and services*

Our platform content and services involve the provision of CBM content and services including (i) pre-pregnancy preparation; (ii) content for different stages of pregnancy; and (iii) upbringing of babies and children of different age groups. Our ability to develop substantive and specialized content enables our Group to continue to increase our active user base.

We have maintained an interactive online community for discussion of CBM related topics on our Platform, mainly in the form of discussion forum, user blogs and other contents with interactive features. Users are able to share their knowledge and experience relating to CBM and their self-generated content on our Platform. Through the social activities boards of our Platform, we regularly launch social activities such as free food tasting, free product trials, seminars on CBM information, photo taking competitions and baby shows so as to arouse the interest of our users and keep their “stickiness” to our Platform.

(C) *Platform value*

Through the provision of (i) CBM content and services; (ii) an interactive online social community among users; and (iii) periodic interactive social activities, we are able to accumulate a large user base which provides us with substantial Internet traffic seeking for CBM content and

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products. According to iResearch Report, in December 2013 and December 2014, our PC Web had a MAU of 14.3 million and 30.7 million, respectively, and a DAU of 0.6 million and 1.3 million, respectively. We monitor the number of clicks and browsing frequency of different areas of our Platform such as discussion forum, special interest topics, user blogs and social activities boards to gather user data for data-mining analysis. We also analyze the viewing pattern and preferences of our users so as to improve the features currently offered on our Platform and thereby enhance users' experience. Our Directors believe that the accumulation of our knowledge in users' interests and preference is crucial in the implementation of our monetization strategies.

(D) *Monetization*

(1) *Integrated marketing and promotional service*

Our marketing and promotional service mainly comprises display of online advertisement on our Platform, couple with a series of promotional and technical support service and website redirecting, details of which are set out in “Our Revenue Model — A. Our marketing and promotional service” in this section.

Our platform content and services allow us to attract Internet users who seek for CBM related information and content. Through the large and engaged user base under our Platform, we are able to better understand the need of our users and their preference. As a result, we are able to formulate the most effective marketing proposals for our advertising customers and offer products and services, including online advertisement on our Platform focusing on CBM which are most needed by our customers. We believe that it would not only allow us to extract the commercial value of our user base and Internet traffic by providing marketing and promotional service to our customers, but also provides us with the opportunity to improve our service to users of our Platform.

(2) *e-commerce business*

Our Group also leverages our brand recognition and heavy Internet traffic seeking for CBM content and services to generate revenues from e-commerce activities. By analyzing the areas of interest and preferences of our users, which are mainly CBM consumers, we are able to form an informed view and create a portfolio of CBM products and brands which are more likely to be popular among users of our Platform. Our Group began to engage in e-commerce activities related to the sale of products such as milk bottles, diapers, toys, skincare products and other products related to CBM in September 2014. We do not sell edible products. Our e-commerce activities are only conducted through our Mobile APP, namely CI APP (育兒網), Pregnancy Reminder (孕期提醒) and Mother Zone (媽媽社區).

In respect of our e-commerce business, we act as an online retailer and customers may purchase by placing online orders with us. We will place orders with distributors, product manufacturers or other online platforms directly. Gross profit is derived from the difference between the online selling price set by us and the price that we pay to such suppliers after deducting related staff costs and business taxes and surcharges.

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(3) *Licensing of smart-hardware devices*

As at the Latest Practicable Date, our Group has developed a smart-hardware device, namely the fetal heart monitoring device (胎心仪). It comprises an ultrasonic probe, an information input module, an information processing module, an information display module and a mobile terminal. The fetal heart monitoring device can monitor the heart rate of a fetus, can help a pregnant woman quickly and precisely find a fetal heart position, smoothly carries out fetal heart monitoring, and eliminates anxious and nervous moods of the pregnant woman. Together with our Mobile APP “Pregnancy Reminder” (孕期提醒), users can add additional features to the fetus profile such as music, photo albums, daily personal message to the fetus, etc. Expectant mothers can also get proper nutrition advice and other useful tips according to the status of the fetus. We commenced the cooperation for the research and development of smart-hardware devices in August 2014 and we did not record any revenue for this business segment during the Track Record Period.

We plan to license our software, technological knowledge and know-how to third party device manufacturer at a licence fee to manufacture and sell the smart-hardware devices for a licence fee based on the number of smart-hardware devices sold by the third-party device manufacturer.

Financial Performance

We experienced strong growth in our financial performance during the Track Record Period, as our revenue increased from RMB39.4 million in 2013 to RMB53.4 million in 2014, representing an increase of 35.5%. For the two years ended 31 December 2014, our net profits were RMB6.9 million and RMB19.6 million, respectively while our gross profit margins were 88.9% and 91.1%, respectively. During the Track Record Period, the revenue contributed by each of our business segments are as follows:

	Year ended 31 December			
	2013		2014	
	<i>(RMB'000 except for percentage)</i>			
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
Marketing and promotional services				
- advertising agencies	32,802	83.3	43,549	81.5
- non-advertising agencies ^(Note 1)	6,566	16.7	8,725	16.3
- third-party online shopping platform ^(Note 2)	—	—	730	1.4
<i>Sub-total</i>	<u>39,368</u>	<u>100.0</u>	<u>53,004</u>	<u>99.2</u>
E-commerce ^(Note 3)	—	—	429	0.8
Total	<u><u>39,368</u></u>	<u><u>100.0</u></u>	<u><u>53,433</u></u>	<u><u>100.0</u></u>

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Notes:

- (1) Non-advertising agencies mainly include CBM product manufacturers and CBM service providers.
- (2) In 2014, we began to generate revenue from a third-party online shopping platform through delivery of action-based advertisement (i.e. website redirecting), which accounted for nil and 1.4% of our total revenue in 2013 and 2014, respectively.
- (3) We commenced our e-commerce business in September 2014.
- (4) We commenced the cooperation for the research and development of smart-hardware devices in August 2014 and did not record any revenue for this business segment during the Track Record Period.

OUR COMPETITIVE STRENGTHS

We have developed our Platform to address the unique challenge and needs of the users of CBM related information and products in China. Our Directors believe that our success to date is attributable to the following factors, which will continue to contribute to our competitive strengths:

We have a large and engaged user base with heavy Internet traffic seeking for CBM content and products

Through years of operation and accumulation of our experience in the CBM market, we have built up a well-established online platform targeting the CBM market in the PRC, with comprehensive content relating to the CBM market. This in turn enables us to accumulate a large user base which represents an engaged pool of potential purchasers for product manufacturers who are in need for marketing and promotional services focusing on CBM as well as users who are in need for CBM products and services. According to iResearch Report, in December 2013 and December 2014, our PC Web had a MAU of 14.3 million and 30.7 million, respectively, and a DAU of 0.6 million and 1.3 million, respectively. Our Directors believe that the comprehensive CBM content offered by us and the interactive nature of our Platform can increase the stickiness of our users, which enables us to retain a large and engaged customer base with heavy and quality Internet traffic seeking for CBM content and products.

Our user-centric and interactive nature drives a superior user experience

We diversified our content and services offerings on a user-centric basis in order to provide a superior user experience. We aim to provide a superior user experience throughout our product development and service selection. In order to facilitate our communication with our users, we developed a comprehensive network of platforms.

Our PC Web was first launched in 2005. Since then, we have developed into an Internet content service provider focusing on CBM. In 2013, our product team successfully developed mobile access to PC Web on various operating systems, including iOS and Android. Further, as at the Latest Practicable Date, we have developed and launched 30 mobile APPs on iOS and Android. Our Mobile Web and IPTV APPs were launched in 2009 and 2014, respectively. We have also expanded our Platform content to JG Web which provides practical tips and advice for children suffering from different kinds of physical and mental disability in the form of information columns, new articles,

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discussion forum, user blogs, and education and training recommendation. The increasing popularity of social media also presented a valuable opportunity for us to extend our user coverage. We have established our presence on social media such as Wechat and Weibo, through which users can have access to our specialized content relating to CBM; participate in discussion and sharing; and join our interactive social activities. By subscribing to our social media platforms, the users' own network of friends would also be aware of our existence. The replication of this process creates an exponential marketing effect which enables us to reach more and more potential users.

As the content provider for CBM consumers in China, we have accumulated an extensive knowledge base and deep understanding of CBM consumers' behavior and needs with respect to online activity and consumption. Our content is designed and foremost for CBM consumers, and our content is the likes, needs and habits of CBM consumers. In order to better interact with our users, we maintain an interactive online community for discussion of CBM related topics on our Platform, mainly in the form of discussion forum, user blogs and interactive services, and through the social activities boards of our Platform, we regularly launch real life social activities such as free food tasting, free product trials, seminars on CBM information, photo taking competitions and baby shows so as to arouse the interest of our users and keep their stickiness to our Platform. With a view to drive a superior experience of our users, and to enhance their loyalty to our Platform, we use our best endeavors to continuously renew our content offering and provide better platform content and interactive services on our Platform.

Through the multi-channels of our Platform, we are able to provide comprehensive CBM content to our users. The age group and needs of our users can also be expanded accordingly. As a result of the strong accessibility of our Platform, the stickiness of users can be increased. In the advent of the rapid development of information technology infrastructure, users can use more different channels to approach the media, such as Mobile Web, Mobile APPs, and IPTV APPs. By expanding the coverage of our Platform and providing more channels for access, we are able to keep pace with other Internet content providers and maintain our competitiveness in the industry.

We have a well established business model in monetization of our user base

We have developed and optimized an evolutionary and user-driven model that has become one of the core components of our success, and differentiates ourselves from our competitors by offering flexible and comprehensive business operation services. We monitor the number of clicks and browsing frequency of different areas of our Platform such as discussion forum, special interest topics, user blogs and social activities board to gather user data for data-mining analysis. By analyzing such user data, which are mainly CBM related, we are able to (i) formulate the most effective marketing proposals for our advertising customers; (ii) create a portfolio of CBM products and brands which are more likely to be popular among users of our Platform; (iii) further expand our scope of business in the future. With a view to expanding and enriching the experience of our users, and to enhance their loyalty to our Platform, we use our best endeavours to continuously renew our content offering and provide better content and services on our Platform.

Our diverse offering of platform content and services, couple with contents with interactive features among users of our Platform, provide us with substantial Internet traffic seeking CBM content and services. Given the interactive nature of our Platform in the form of discussion forum and social

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activities boards, our users are not merely surfing our content but are also engaged in interactive discussions and sharings. This creates stickiness to our Platform which enhances the quality of our Internet traffic seeking for CBM content and services. With our experienced management, the commercial value of such Internet traffic is extracted through our monetization strategy. Our Directors believe that the growth of our user base will in turn attract more content providers to utilize our Platform, making it more difficult for competitors to operate a comparable platform whereby a critical mass is reached for them to conduct commercially viable monetization on such Internet traffic. We monetize Internet traffic from our Platform mainly by providing integrated marketing and promotional service, couple with the e-commerce business and licensing smart-hardware devices. Our marketing and promotional service mainly comprises display of online advertisement on our Platform, couple with a series of promotional and technical support service and website redirecting, details of which are set out in “Our Revenue Model — A. Our marketing and promotional service” in this section. In recent years, our business had experienced rapid growth and expansion. Our revenue increased from RMB39.4 million for the year ended 31 December 2013 to RMB53.4 million for the year ended 31 December 2014, or 35.5% growth, almost all of which was attributable to our marketing and promotional services.

We are able to maintain a good relationship with our business partners

Through years of operation, we have established a good relationship with certain reputable business partners including brand name manufacturers and advertising agencies. With the existing portfolio of reputed business partners, we are able to attract more new business partners, customers and users to use our service. Advertising agencies would refer more brand name manufacturers to use our marketing and promotional service, including advertisement on our Platform, as a result of our large and engaged user base and service quality. On the other hand, our business partners also cooperate with us in the implementation of our business plan. For example, they would cooperate with us in launching social activities such as food tasting, free product trials, photo taking competitions and baby shows. They also offer us sponsorship for our O2O service. For details of our O2O service, please refer to the paragraph headed “Our Business Strategies” in this section. They also offer us experts such as nutritionists or practitioners of chinese medicine to address questions posted by our users on our Platform. Our well established and stable relationship with our business partners enables us to maintain our source of revenue and more importantly, assists the implementation and expansion of our business.

We have strong in-house research and development capabilities

Our Directors believe that our research and development capabilities represent a core competency and a key competitive advantage as compared to other Internet content providers. Since the initial launch of our Platform in 2005, we have successfully developed PC Web, Mobile Web, Mobile APPs and IPTV APPs. As at the Latest Practicable Date, we have filed application for registration of 7 trademarks. Details of our intellectual property rights, which, in the opinion of our Directors, are material to our business and operations, are set out under the section headed “Appendix IV — Statutory and General Information — Further information about the business of our Group” in this prospectus.

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Our capabilities in developing our software products in-house include: (i) the ability to create specialized content to appeal to the preference of our users; and (ii) the ability to control the research and development and release of periodic upgrades and enhancements of our software applications to attract new users and retain existing users. The research and development capabilities of our Group are shared across our Platform, which provide a significant cost advantage to our Group over our competitors that operate only a single platform. By analyzing the areas of interest and preferences of our users, we are able to develop interactive family entertainment products, including Mobile APPs and smart-hardware devices which could stimulate the interest of our users.

We have an in-depth understanding on the CBM Market

Through years of operation and accumulation in the CBM market, we have gained in-depth understanding of CBM consumers' behavior and needs with respect to online activity and consumption. Our content is designed and foremost for CBM consumers, and as a result, the core focus of our management team is the likes, needs and habits of CBM consumers. We have rigorous content selection standards and an ongoing content improvement process that has allowed us to consistently provide popular content among our user base. We have built a systematic approach to collect data and analyze our users' needs from their online behavior, interactive social activities and user feedback. Such data provides significant insight to guide our new content creation process and serves as a catalyst for production innovation. We believe the knowledge and experience of our management team will consistently fuel our innovation.

OUR BUSINESS STRATEGIES

Our primary objective is to strengthen our position as an online platform focusing on the CBM market in China and to utilize our heavy Internet traffic seeking for CBM content and services to further expand our operating income. In order to accomplish this objective, our Group plans to:

Further enhance our ability to extract commercial value from our user base

We currently monetize Internet traffic from our Platform mainly by providing integrated marketing and promotional service, couple with the expansion to the e-commerce business and licensing smart-hardware devices. Our marketing and promotional service mainly comprises display of online advertisement on our Platform, couple with a series of promotional and technical support service and website redirecting, details of which are set out in “Our Revenue Model — A. Our marketing and promotional service” in this section. We analyze the viewing pattern and preferences of our users so as to improve the features currently offered on our Platform and thereby enhance users' experience and stickiness to our Platform. We aim to further enhance our ability to extract commercial value from our Internet traffic by implementing the following:

- *Develop online-to-offline service (“O2O service”).* Our Mobile APP, namely Mother Zone (媽媽社區), is designed for mothers with babies or children in different age groups to share their knowledge, stories and memories relating to their babies or children in categorized

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discussion forums. Different CBM products are displayed on the “activities” page of Mother Zone. We offer discount coupons or free trial version of products to our users. In order to be eligible for the gifts, users are required to share such activities through social media platforms such as Weibo or Wechat. After making formal application with Mother Zone and completing the activities sharing, users will be eligible to collect the gift at the designated local retail store or it will be delivered directly to them. In order to capture business opportunities arising from the growth of the retail market in the PRC, we plan to expand the scope of products to be offered on Mother Zone by getting into cooperation arrangement with more business partners.

- *Expand our e-commerce business.* The current focus of our e-commerce business is the offering of CBM related products procured from third party suppliers. Through our Platform, we plan to expand the scope of our product offering to other non-CBM products such as lady life style products and garments. On the other hand, we are aware that modern parents have a stronger awareness of the importance of preparatory education than parents in the previous generations. The competition for entry to well reputed primary schools or even kindergartens is more intense nowadays. Playgroups and all sorts of preparatory classes for children with age from one to three years old have emerged at a remarkable pace. To cope with the need for preparatory education, we plan to launch a series of preparatory educational products such as software education programmes and toys with educational values for children in different age groups.

Expand and improve our products and services

To retain our loyal user base and enhance the MAU and DAU of our Platform, we plan to expand our products and services in the following ways:

- *Expand the scope of target users.* Our platform content and services currently involve the provision of CBM content and services including (i) pre-pregnancy preparation; (ii) preparation for different stages of pregnancy; and (iii) upbringing of babies and children in different age groups. With our expansion plan relating to e-commerce, preparatory education, research and development of interactive family entertainment products, our Directors believe that we are able to expand our user base to include people in almost all different age groups.
- *Expand our products and user base.* Since we plan to expand our user base from CBM consumers to people from different backgrounds and age groups, not only the user base but also the diversity of our products and services would be increased. This in turn would incentivize a higher diversity of product manufacturers and advertising agencies to use our marketing and promotional service.
- *Enter into strategic cooperation alliance with other online content platforms.* We regularly launch social activities including food tasting, free product trials, photo taking competitions and baby shows with product manufacturers as a means to promote their food

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or products or other online content platforms to widen our platform exposure. To capitalize on the user base and marketing efficiency of other online content platforms, we plan to enter into cooperation alliance with them to promote our marketing and promotional service, e-commerce business and our development of smart-hardware devices.

By expanding our user base and further improving the MAU and DAU of our Platform, we will be able to gather more data of the areas of interest and preferences from more users and thus further increase the quality of our Internet traffic seeking for CBM content and services. In return, through our data-mining analysis process, we can create better content with our platform service to further enhance our users' experience in using our Platform.

Implement mergers and acquisitions

We plan to achieve strategic growth through mergers and acquisitions to capture business opportunities arising from the continuous growth of the CBM and e-commerce market of the PRC. In relation to our Platform in general, our primary objective is to expand our user base and increase the MAU and DAU. We plan to acquire other online platforms to merge their user base with ours. In relation to our e-commerce business, our plan is to acquire other e-commerce channels to reinforce our existing sales channel. Our other potential targets for acquisition include (i) intellectual property rights for our Platform and other software applications; (ii) products from original equipment manufacturer (OEM) relating to CBM; and (iii) educational materials. For details of our implementation plan, please refer to "Statement of Business Objective and Use of Proceeds — Implementation Plans" of this prospectus.

Continue to strengthen in-house research and development capabilities

Our Directors believe that research and development is a cornerstone of our development strategy and we intend to continue to invest significantly in research and development activities. We plan to strengthen our in-house research and development capabilities and focus on product development and innovation to address users' needs and preferences and offer more effective marketing solutions to customers. Specific focus areas include the development of new e-commerce applications (such as settlement, security, inventory tracking, logistic control); development of new forms of advertising and broadcasting; further enhancement to our databases, including search capabilities; further enhancement to our online community services; and the development of internal data-mining analysis tool. We plan to expand the number of employees on our research and development team in the long run in the expectation of, and to promote, future growth.

Continue to attract, train and retain talented and experienced employees to support our expansion

We believe the key to our success is attributable to the qualified and experienced employees. In this regard, we will continue to attract and retain talented and experienced employees to support our continued expansion. We will continue to optimize our employee compensation and reward scheme to

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incentivize existing employees as well as attracting and retaining talented and experience professionals to join us. We will continue to arrange internal or external training and development programs for our employees to enhance their professional knowledge and technical abilities in order to cultivate a high-quality and professional workforce.

LAYOUT OF OUR PLATFORM

Our Platform comprises a number of key components which include: (A) PC Web; (B) Mobile Web; (C) Mobile APPs; and (D) IPTV APPs. In addition, we also promote the contents of our Platform through social media platforms operated by Independent Third Parties, including Wechat and Weibo.

A. PC Web (www.ci123.com) (育兒網)

PC Web is a community website that contains information, content, news, updates and products relating to CBM in the form of content pages, online community, discussion forum, user blogs and brand promotion area.

We have four major web stations within our PC Web, namely Shanghai, Beijing, Nanjing and Guangzhou. In this way, we are able to provide more localized information and content to users in that particular area. At the same time, users are offered an option to participate in discussions and sharings (through our discussion forum) within their neighbourhood, which efficiently serves their specific needs. We intend to continue to add new features and services to our PC Web, and to continue to refine the content channels and user-friendly interface system.

PC Web is our flagship platform which was first launched in 2005. According to the iResearch Report, in December 2013 and December 2014, our PC Web had a MAU of 14.3 million and 30.7 million, respectively, and a DAU of 0.6 million and 1.3 million, respectively. For each of the two years ended 31 December 2013 and 2014, our PC Web had an average MAU of 16.9 million and 19.0 million, respectively, and an average DAU of 0.8 million and 0.9 million, respectively.

Below is a screenshot of the homepage of our PC Web:



B. Mobile Web

In 2009, our technical team successfully developed modified wireless access to our Platform through the Mobile Web. Our Mobile Web enables users to have access to the mobile version of our PC Web through their mobile devices or tablet computers. The MAU and DAU statistics for our Mobile Web are not available since iResearch is unable to collect relevant traffic data from all kinds of web browsing systems, including Internet Explorer and Firefox.

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Below is the screenshot of our Mobile Web:



C. Mobile APPs

As at the Latest Practicable Date, we have developed and launched 30 key Mobile APPs on iOS and Android. Most of our Mobile APPs are free for download.

Examples of our key Mobile APPs are shown below:

Pregnancy Reminder (孕期提醒)



Expectant mothers can get relevant knowledge according to their stages of pregnancy including status of the baby, nutrition advice and other useful tips.

Pregnancy Reminder (孕期提醒) is our flagship Mobile App which was launched in 2011. According to iResearch Report, in December 2013 and December 2014, Pregnancy Reminder (孕期提醒) had a MAU of 1.0 million and 1.3 million, respectively, and a DAU of 0.3 million and 0.5 million, respectively. For each of the two years ended 31 December 2013 and 2014, it had an average MAU of 0.7 million and 1.0 million, respectively, and an average DAU of 0.2 million and 0.3 million, respectively.

Below is the screenshot of our Pregnancy Reminder:



CI APP (育兒網)



Our CI APP shares similar features as our PC Web including discussion forum, special interest topics, other contents with interactive features including CBM Q&A sessions and social activities board. One additional feature is the e-commerce platform, where our users can have access to different kinds of CBM products available for purchase. For details of the mechanism of our e-commerce business, please refer to “Our Revenue Model — B. Our e-commerce business” in this section.

CI APP (育兒網) was launched in 2013. According to iResearch Report, in December 2014, CI APP (育兒網) had a MAU of 30,000 and a DAU of 2,000. For the year ended 31 December 2014, it had an average MAU of 57,400 and an average DAU of 14,600. iResearch is unable to collect the relevant traffic data for CI APP (育兒網) in 2013 since the quantity of traffic did not fall within its detectable range.

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Below is the screenshot of our CI APP:



Mother Zone (媽媽社區)



Mothers with babies or children in different age groups can share their knowledge, stories and memories relating to their babies or children in categorized discussion forums.

Mother Zone (媽媽社區) was launched in 2013. According to iResearch Report, in December 2014, Mother Zone (媽媽社區) had a MAU of 0.4 million and a DAU of 0.2 million. For the year ended 31 December 2014, it had an average MAU of 0.6 million and an average DAU of 0.2 million. iResearch is unable to collect the relevant traffic data for Mother Zone (媽媽社區) in 2013 since the quantity of traffic did not fall within its detectable range.

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Below is the screenshot of our Mother Zone:



We are passionate about bringing joy to children and helping them learn while having fun. Leveraging on our knowledge and understanding of children's behaviour and needs gained from our years of experience operating our Platform, we plan to develop an interactive system that incorporates the transfer of knowledge with entertainment through a variety of interactive Mobile APPs. The content of our Mobile APPs will be designed for children aged 6 to 12 years old.

Currently we are developing different types of Mobile APPs for interactive family entertainment. We plan to launch our interactive family entertainment products in 2015. In March 2015, we launched the Baby Plan APP (寶貝雲計劃) on iOS and Android. It was designed to nurture parent-child relationship, facilitate children's early learning, or as entertainment for families with children.

D. IPTV APPs

In 2014, we expanded our Platform to IPTV and launched our IPTV APPs. The contents of our IPTV APPs are similar to our Mobile APPs. The MAU and DAU statistics are not available for our IPTV APPs since iResearch is unable to collect relevant traffic data from specific IPTV devices.

Below is a picture of the interface of our IPTV APP:



Social media platforms

We have also established our presence on social media platforms operated by Independent Third Parties, through which users can have access to our specialized content relating to CBM; participate in discussion and sharing; and join our interactive social activities. By subscribing to our social media platforms, the users' own network of friends would be aware of our existence. The replication of this process creates an exponential marketing effect which enables us to reach more and more potential users.

As at the Latest Practicable Date, we have set up our own page on Wechat and Weibo.

Corporate social responsibility

We launched JG Web (極光網) in 2009. It is a branch website of PC Web which provides practical tips and advice for children suffering from different kinds of physical and mental disability such as hearing impairment, visual impairment, physical impairment, mental impairment and learning impairment in the form of information columns, news articles, discussion forum, user blogs, and education and training recommendation. Aiding devices would be introduced in accordance with the kind and extent of disability. Users can share their knowledge, experience or stories relating to the caretaking of disabled children in the discussion forum and user blogs on JG Web.

Our editorial team performs extensive research to gather educational content for disabled children from time to time. The primary objective of JG Web is to fulfill our corporate social responsibility. Our Directors believe that our reputation and commercial image would be raised by being a "conscientious enterprise".

PLATFORM CONTENT AND SERVICES

Contents and services we provide to our users and customers include:

(a) *CBM content and services.* We have a dedicated editorial team focusing on producing CBM content on our Platform for different segments of users. We conduct independent research and collate CBM related information for them. We categorized our users by stage of pregnancy and the age of children they have. A brief breakdown of the user segments is set out below:

- Families planning for pregnancy
- Mothers in early stage of pregnancy
- Mothers in middle to late stage of pregnancy
- Families with 0-6 months infants
- Families with 6-12 months babies
- Families with 1-3 years old toddlers
- Families with 3-6 years old children

By way of segmentation, we are able to maintain a large user base while managing to provide the users with specialized content. In addition, through our Mobile APP “Pregnancy Reminder” (孕期提醒), expectant parents can get relevant knowledge according to their stage of pregnancy, including status of the baby, nutrition advice and other useful tips.

(b) *Interactive online social community among users.* We have maintained an interactive online community for discussion of CBM related topics on our Platform. In particular, through our Mobile APP “Mother Zone” (媽媽社區), parents with babies or children in different age groups can share their knowledge, stories and memories relating to their babies or children in categorized discussion forums.

(c) *Periodic interactive social activities.* Through the social activities boards of our Platform, we regularly launch social activities such as free food tasting, free product trials, seminars on CBM information, photo taking competitions and baby shows so as to arouse the interest of our users and keep their stickiness to our Platform. For the two years ended 31 December 2013 and 2014, according to our internal statistics, we have launched a total of about 240 and 450 social activities on our PC Web, respectively; and about 20 and 150 social activities on our Mobile APP “Mother Zone”, respectively.

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A majority of the content on our Platform consists of content created by our editorial team for the purpose of enriching the CBM related information and content of our Platform. The product testing reports and user feedbacks are produced by users of our Platform and edited by our editorial team before publishing on our Platform, while content in the information columns is produced by our editorial team. Occasionally, the content is created as part of the promotional and technical support service provided by us. For details of our promotional and technical support service, please refer to the paragraph headed “Our Revenue Model — A. Our marketing and promotional service — (ii) Promotional and technical support services” in this section. Besides, we gather content from third-party sources including magazines or other online platforms and then incorporate our view and analysis before publishing on our Platform. Pursuant to the Regulations on the Protection of Right to Network Dissemination of Information (信息網絡傳播權保護條例) (the “**Regulations**”), we are not required to obtain the prior consent of the third-party content owner nor make payment to the third-party content owner if the content (i) has previously been published; (ii) is properly extracted and supplemented by our view or analysis instead of being a replication of the original work; (iii) is quoted for the purpose of introducing or commenting on certain work, or elaborating on certain issues; and (iv) the third-party content owner has not declared in advance that the content may not be quoted. We have not adopted any unaltered third-party content on our Platform. In accordance with the Regulations and the internal control policy regarding intellectual property rights adopted by our Company on 2 March 2015 (the “**Policy**”), all third-party sources must be properly labelled and acknowledged where the third-party content owner can be identified, our editorial team will obtain its/his/her written consent before posting, if practicable, regardless of whether such consent is required under the Regulations. We will obtain the prior consent of the relevant third-party content owner and pay a remuneration fee upon request if we intend to adopt any unaltered third-party content in the future. We confirm that we have strictly complied with the Policy and the Regulations. Given also the fact that we do not generate any direct income from the usage or adoption of third-party content, if there is any litigation in this regard for any reason, our PRC Legal Advisors are of the view and our Directors have concurred that the chance of monetary claim from third-party owners is not high and even if it arises, our Directors believe that the risk of successful monetary claim which will materially and adversely affect the financial position of our Group is remote.

Regarding the use of third-party content on our Platform, as advised by our PRC Legal Advisers, we are unlikely to be liable for any misstatement by third-party content owner if (i) the use of the third-party content does not violate the Regulations; and (ii) we are not aware of such misstatement after making reasonable scrutiny. Our editorial team performs extensive research to gather CBM related content for users of our Platform. It also explores various independent sources to verify the accuracy and examine the reliability of the relevant CBM related content. According to the policy of our editorial department, content prepared by an editor must be reviewed by other editors and revised until they have no further comments. The responsible officers in our editorial department have an average industry experience of over five years. On this basis, our Directors consider that the content prepared by our editorial team is supported by actual and reliable data.

Across our Platform, substantially all of the following functions and features can be found:

- Special interest topics

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- Search capabilities
- Discussion forum
- User blogs
- Other contents with interactive features
- Social activities board

Special interest topics

Our editorial team performs extensive research to gather new data and information relating to CBM from time to time and create special interest topics for our users so as to cater for their everchanging needs and preference. Topics include product reviews, product feature reports, tips for health and baby care, etc.

It is our internal policy to verify the source of data and information before we adopt or reprocess them so as not to infringe any intellectual property rights of third parties. Since the first launch of our Platform in 2005, we have not received complaint from any third party for copyright infringement.

Search capabilities

Users who have specific questions relating to CBM or wish to locate a specific CBM product can enter keywords of their query. Through the advanced search engine maintained by us, they will be shown a list of websites, sorted according to order of relevancy.

There is also an encyclopedia column in our PC Web where users can search for a variety of knowledge related to CBM.

Discussion Forum

Our Platform provides a discussion forum for members to discuss their stories and tips relating to CBM; share their experience in using certain CBM related products. Users can choose any topic posted by other users and take part in discussion.

As at the Latest Practicable Date, users of our discussion forum enjoy 22 levels of membership in accordance with the number of points (“**CI Points**”) he/she has accumulated since his/her initial registration. CI Points are gained by participation in topic discussion in the form of contribution and posts made and the voluntary transfer of CI Points from other members for meaningful or useful contributions such as giving the best answer to a specific question or problem raised by other users. In that case, the user raising the question will reward the one giving the best answer with CI Points. Users who have higher levels of membership would have access to topics with restricted access. Topics with restricted access are often created by premium members who only want to share specific information with a more dedicated community.

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Our discussion forum is regularly monitored by members of our editorial team and our forum administrators, who are not employees of our Group, on a voluntary basis. They are mostly members of the highest level of memberships who are willing to contribute to an orderly environment within the discussion forum. Members of our editorial team are responsible for appointing forum administrators. We recruit forum administrators by posting recruitment notice on the forum. The recruitment notice sets out the selection criteria including the minimum number of posts required to be created by the candidate, his/her forum demeanor and extent of CBM knowledge. The editorial team would screen and select candidates who (i) display a responsible and responsive attitude; (ii) spend not less than 3 hours a day on our Platform; (iii) do not have the record of conducting improper behavior at our discussion forum such as creating posts with improper or abusive language and (iv) possess decent organisation and leadership skills. The forum administrators shall assist the editorial team in monitoring the discussion forums. As at the Latest Practicable Date, there are 35 forum administrators. Our Directors believe that appropriate delegation of supervision duties to forum users could foster a healthy atmosphere at our discussion forums and that the prospect of being “promoted” to a forum administrator could incentivize forum users to become more active at our discussion forum in a positive manner. Members of our editorial team and our forum administrators have the right to delete any written content, pictures or videos uploaded which they think inappropriate, offensive or abusive. Although the forum administrators are not employees of our Group, our Directors are of the view that as volunteers they have greater initiative to preserve the serenity of the forum and are less likely to abuse their power. In addition, a specific code of conduct outlining the rights and obligations of the forum administrator is readily assessable in the forum. Our editorial team will monitor the activities of users, including those of the forum administrators to make sure that forum administrators properly perform their duties. We require that each forum administrator creates a work diary and record their work performed at the discussion forum. We run a forum operation backend system which assists our editorial team to assess the performance of each forum administrator by reviewing their posts and actions on a weekly basis. The appointment of the forum administrator will be terminated if he/she fails to issue a required amount of posts and replies at the discussion forum (measured on a weekly basis); or abuse his/her power for his/her own benefit such as posting his/her own advertisements. Apart from the administration of our discussion forum, the forum administrators are not conferred any power in relation to the operation of our Platforms, nor are they involved in our business operations. The Company has installed a software system to automatically monitor and record the time and type of activities of each forum so as to ensure the quality of posts. Based on our Group’s records, it is normal for inappropriate content to be deleted within two hours of posting. To protect the interest of our users, we have a disclaimer on the Platform stating that we do not take responsibility for the accuracy of the CBM knowledge offered by users of the discussion forum and the accuracy of other information on our Platform.

The table below sets out the daily average number of posts and topics created in the discussion forum on our Platform for the two years ended 31 December 2013 and 2014:

	Year ended 31 December			
	2013		2014	
	<i>Daily average number of posts</i>	<i>Daily average number of new topics</i>	<i>Daily average number of posts</i>	<i>Daily average number of new topics</i>
PC Web and CI App (育兒網)	15,100	470	34,000	1,300
Mother Zone (媽媽社區)	41,000	2,200	267,000	11,000

Note: The table is prepared based on our internal statistics.

User blogs

A user blog is a personal page of the creator where he/she can share his/her experience, stories, photos or videos. Viewers can make comments on the comment section under each post of the creator. For ease of viewing, user blogs are categorized on our Platform as follows:

- users who are expectant parents
- pregnant users
- users with infants of 0-3 months old
- users with infants of 3-6 months old
- users with infants of 6-12 months old
- users with children of 1-2 years old
- users with children of 2-3 years old
- users with children of 3 years old or more
- users who are eager to share their parenting experience

Other contents with interactive features

Users to users

We provide an interactive medium on our Platform for users to interact with one another. For example, users can share ideas and tips relating to CBM on the discussion forum in PC Web or Mother Zone. There are also Q&A columns where users can raise specific CBM questions for other users to address or reply. Users can share pictures showing their daily life with other users.

Users to CBM specialists

We periodically invite nutritionists, doctors, experts and our editors to address questions posted by our users. Through interactions with the specialists, our users have the chance to enrich their CBM knowledge.

Users to merchants

Merchants include product manufacturers, service providers, retailers and other online platforms. Through our Platform, users can share their feedbacks on their experience in using any products or services provided by the merchants. We will process the feedbacks from our users and compile feedback or testing reports for our own data-mining analysis and for reference by the merchants. Accordingly, merchants can improve their products or services for the benefit of the users.

Social activities board

To further enhance the interaction among users, we regularly launch social activities through our online community platform such as food tasting, free product trials, seminars on CBM information, photo taking competitions and baby shows so as to arouse the interest of our users and keep their stickiness to our Platform. For food tasting and free product trials, our users are required to (i) write a short piece of articles about a certain topic; (ii) take photos on certain theme or area of interest; (iii) make a reply to the social activity topic; or (iv) spend a certain amount of CI Points on our Platform to get the reward. These are sponsored by product manufacturers or advertising agencies or other online content platforms as a means to promote their own food or products or widen their exposure. For the two years ended 31 December 2013 and 2014, we have launched a total of about 240 and 450 social activities on our PC Web, respectively; and about 20 and 150 social activities on our Mobile APP “Mother Zone”, respectively. As part of our marketing and promotional service, we also organize and launch social activities on our Platform for our advertising customers. We charge them based on the duration of service.

Paid advertisements displayed on our Platform and content sponsored by customers are not content created by us for our Platform (the “**outsider content**”). We are not legally required to label them as outsider content. However, our Directors consider that the outsider content on our Platform is presented in such a clear way (in terms of position, layout, setting and nature of the content) that a reasonable Internet user would not be confused as to whether the information or content presented to them is outsider content or content created by us.

OUR REVENUE MODEL

Value accumulated at our Platform

Through the provision of (i) CBM content and services; and (ii) interactive online social community among users; and (iii) periodic interactive social activities, we are able to accumulate a large user base which provides us with substantial Internet traffic seeking for CBM content and products. According to the iResearch Report, in December 2013 and December 2014, our PC Web had a MAU of 14.3 million and 30.7 million, respectively; and a DAU of 0.6 million and 1.3 million, respectively. We monitor the number of clicks and browsing frequency of different areas of our Platform such as discussion forum, special interest topics, user blogs and social activities boards to gather user data for data-mining analysis. We also analyze the viewing pattern and preferences of our users so as to improve the features currently offered on our Platform and thereby enhance users’ experience. Our Directors believe that the accumulation of our knowledge in users’ interests and preference is crucial in the implementation of our monetization strategies.

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Since we only commenced our e-commerce business in September 2014 and the cooperation for the research and development of smart-hardware devices (智能硬件產品) in August 2014, almost all of our revenue during the Track Record Period was attributable to the provision of marketing and promotional service, which mainly comprises display of online advertisement on our Platform, couple with a series of promotional and technical support service and website redirecting, details of which are set out on “Our Revenue Model — A. Our marketing and promotional service” in this section.

During the Track Record Period, the revenue contributed by each of our business segments are as follows:

	Year ended 31 December			
	2013		2014	
	<i>(RMB'000 except for percentage)</i>			
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
Marketing and promotional services				
- advertising agencies	32,802	83.3	43,549	81.5
- non-advertising agencies ^(Note 1)	6,566	16.7	8,725	16.3
- third-party online shopping platform ^(Note 2)	—	—	730	1.4
<i>Sub-total</i>	<u>39,368</u>	<u>100.0</u>	<u>53,004</u>	<u>99.2</u>
E-commerce ^(Note 3)	<u>—</u>	<u>—</u>	<u>429</u>	<u>0.8</u>
Total	<u><u>39,368</u></u>	<u><u>100.0</u></u>	<u><u>53,433</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Non-advertising agencies mainly include CBM product manufacturers and CBM service providers.
- (2) In 2014, we began to generate revenue from a third-party online shopping platform through delivery of action-based advertisement (i.e. website redirecting), which accounted for nil and 1.4% of our total revenue in 2013 and 2014, respectively.
- (3) We commenced our e-commerce business in September 2014.
- (4) We commenced the cooperation for the research and development of smart-hardware devices in August 2014 and did not record any revenue for this business segment during the Track Record Period.

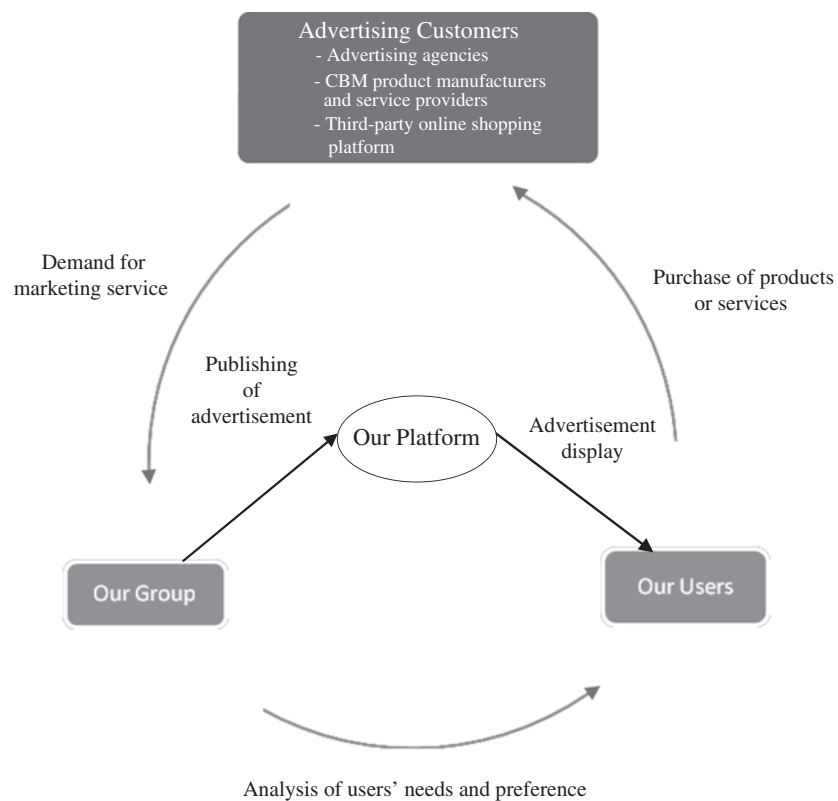
BUSINESS

The following table illustrates a brief layout of our revenue model:

Monetization strategy	Revenue source	Revenue earning basis
Provision of marketing and promotional service	(a) (i) Advertising agencies (ii) CBM product manufacturers and service providers	(a) Duration of advertisement space on our Platform
	(b) Third-party online shopping platform	(b) A fixed percentage of the total sum of the price of products sold generated from website redirecting
e-commerce business	Our users	Selling price of products sold by us
Licensing of smart-hardware devices	Third-party device manufacturer	Licensing fee based on the number of smart-hardware devices sold

A. Our marketing and promotional service

Layout of the marketing mechanism exercised by our Platform



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Advertising customers

During the Track Record Period, our customers for our marketing and promotional services are mainly (i) advertising agencies; (ii) CBM product manufacturers and service providers; and (iii) third-party online shopping platform.

Advertising agencies

When a customer has a need for marketing service, it may engage an intermediary company (i.e advertising agency) to formulate a marketing proposal (such as proposing the type of advertisement and the target platform on which the advertisement is to be published) which is suitable for the customer and provide the relevant accompanying promotional service or technical support. The intermediary company provides data feedback on a timely basis to its customer.

Advertising agencies act as the agent for a variety of product brands and manufacturers and are responsible for creating, planning, and handling advertising proposal (and sometimes other forms of promotion) for them. The clients of advertising agencies may not have sufficient knowledge about the advertising industry and so rely on advertising agencies to choose a proper advertising platform and formulate a suitable advertising proposal for them. We provide marketing and promotional service to them by way of display of online advertisement on our Platform, details of which are set out in “Our Revenue Model — A. Our marketing and promotional service — (i) Display of online advertisement” in this section.

CBM product manufacturers and service providers

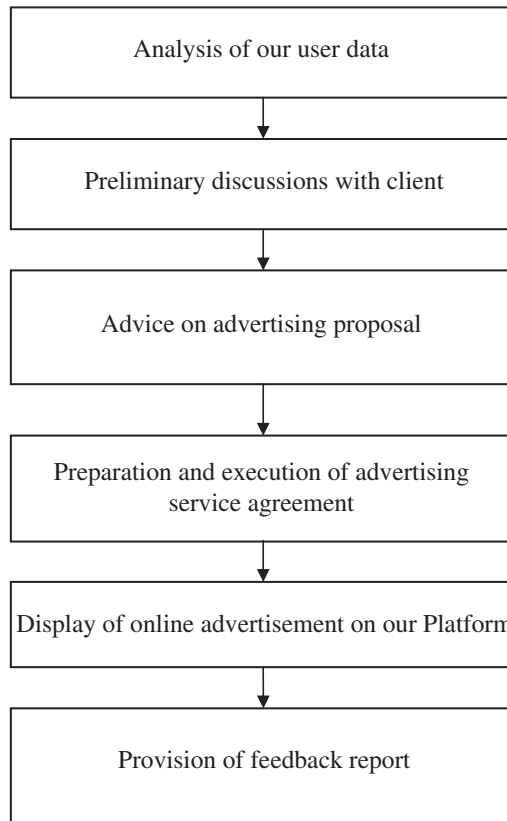
Apart from intermediary advertising agencies, we have direct customers which are engaged in the manufacture of CBM products and the provision of CBM related services, including CBM magazine publishing companies. Similar to advertising agencies, we provide marketing and promotional service to them by way of display of online advertisement on our Platform, details of which are set out in “Our Revenue Model — A. Our marketing and promotional service — (i) Display of online advertisement” in this section.

Third-party online shopping platform

Third-party online shopping platforms are third party online platforms where different product manufacturers and retailers list their products for the consumers. Sizeable online shopping platforms which have a large user base are able to attract sellers to use them as their sales channel. In order to maintain their attractiveness to the sellers, they would explore other online marketing platforms to expand their exposure to more potential purchasers. During the Track Record Period, we provided marketing and promotional service to a third-party online shopping platform by way of website redirecting, details of which are set out in “Our Revenue Model — A. Our marketing and promotional service — (iii) Website redirecting” in this section.

(i) **Display of online advertisement**

The usual flow of display of online advertisement is as follows:



Analysis of our user data

Before we discuss with our customers on their advertising proposal, we would revisit our database and analyze our users' need from their online behavior, participation in interactive social activities and feedback. Such data provide significant insight for us to advise on how to match the advertising proposal of our customers with the needs of our users.

Preliminary discussions with client

The sales officers of our customer service department conduct preliminary discussions with our customers through telephone conference and/or physical meetings to identify the target audience of a proposed advertisement and how their product should be promoted.

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Advice on advertising proposal

After we understand the advertising needs from our customers and subject to their need, our customer service team will conduct research on market data and give advice on the advertising plan proposed by our customers. We will conduct further discussions through telephone conference and physical meetings with them to gather their ideas so that we can assist them in finalizing their advertising proposal. Alternatively, our customers may prefer to have the advertising proposal in their own way, in which case our advice is not required. We are not responsible for obtaining approval and/or consent (if necessary) from relevant regulatory authorities or third parties relating to the content of the advertising proposal.

Preparation and execution of advertising service agreement

We will prepare and execute the advertising service agreement with our customers after the advertisement proposal is confirmed and our engagement terms are agreed. Our typical advertising contract involves a customer paying a fixed fee for displaying an advertisement on our Platform for a specified period of time. The location, duration and price are usually contained in the said agreement. We will charge an additional fee if our promotional and technical support service is required. Please refer to the paragraph headed “Promotional and technical support service” in this section for details. Consistent with common practice in the advertising industry in China, we offer incentives by way of rebate to advertising agencies. A rebate is an amount paid by way of reduction or refund on the total advertising fee we charge, and is expressly stated in the advertising service agreement. It is calculated by multiplying the total advertising fee by the corresponding rebate rate. The rebate rate is a percentage of the revenue generated from the advertising agencies and increases proportionally with the amount of such revenue. The amount of rebate given to advertising agencies is presumed to be a reduction of the selling prices of the services, which is characterized as a reduction of revenue when recognized in the consolidated statements of profit or loss and other comprehensive income. For the two years ended 31 December 2014, the total amount of rebate was RMB5.4 million and RMB7.6 million, respectively.

We offer different amount of rebate to different advertising agencies, which is primarily based on (i) our historical business volume with them; (ii) their business scale as a whole; and (iii) their business relationship with us. We do not make rebates to individual employees of the advertising agencies. As advised by our PRC Legal Advisers, the abovementioned rebate arrangement does not violate any laws or regulations in the PRC. Advertising contracts run, in terms of duration, anywhere from several weeks to 12 months, and consist of banner-style advertisements, buttons, multi-flips and couplet from which viewers can hyperlink directly to the advertiser’s own website.

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A breakdown of the number of advertising service agreements in effect during the Track Record Period and up to the Latest Practicable Date, based on (i) duration of service and (ii) status (ongoing or completed) is set out below:

	For the year ended 31 December		From 1 January 2015 up to the Latest Practicable Date
	2013	2014	Date
Total number of advertising service agreements in effect ^(Note 1 and 2)	285	347	218
Duration of service			
30 days or less	179	244	132
31 to 60 days	52	37	49
61 to 90 days	24	31	18
91 to 180 days	14	16	6
More than 180 days	16	19	13
Completed within the year ^(Note 3)	279	351	239
Carry forward into next year	29	25	4

Notes:

1. Agreements spanning across financial years are only counted once in the first financial year. As such, 23 advertising service agreements entered into and in effect in 2012 and remained effective in 2013 have not been re-counted. 29 advertising service agreements entered into and in effect in 2013 and remained effective in 2014 have not been counted. 25 advertising agreements entered into and in effect in 2014 and remained effective in 2015 have not been re-counted.
2. The services rendered include display of online advertisement on our Platform and provision of promotional and technical support services. For action-based advertisement (i.e. website re-directing), we register with the third-party online shopping platform in accordance with its terms and conditions. For details of our action-based advertisement (i.e. website redirecting), please refer to the paragraph headed "Display of online advertisement on our Platform — (iii) website redirecting" in this section.
3. Includes agreements that span across two financial years which have been completed in that period.

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Display of online advertisement on our Platform

We strategically locate prominent spaces that draw our users' attention for placement of advertisement and we use our best endeavours to strike a balance between maximization of revenue generated from online display advertisement without substantially compromising our users' experience. We offer different forms of advertisement in accordance with the need of our customers. Examples of some forms of our advertisement are shown below:



- A - Full banner (通欄)
- B - Banner (橫幅)
- C - Button (按鈕)
- D - Multi-flip (輪轉圖)
- E - Couplet (對聯)

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Full banner (通欄) / banner (橫幅)

Banner is a rectangular graphic display that stretches across the top or bottom of a website or down the right or left sidebar. It is usually image-based which makes it easy to promote a brand and/or to get visitors from the host website to go to the advertiser's website. A full banner is one that stretches fully across the screen.

Button (按鈕)

Button is a small circular, rectangular, or square graphic advertisement appearing on the webpage and is usually smaller than a banner.

Multi-flip (輪轉圖)

Multi-flip is a special mode of graphic display where a series of different advertisements is switching within a fixed duration (e.g. every 10 seconds). Depending on the number of advertisers, a fixed number of advertisements will be displayed in the multi-flip on a rotational but recurring basis.

Couplet (對聯)

A couplet appears in the form of a pair of image or text based graphic display on both the left and right side of the webpage.

We should publish the advertisement in accordance with the agreed duration as set out in the relevant advertising agreements unless otherwise agreed in writing by the contracting parties.

Provision of feedback report

We monitor the number of clicks of the advertisement so that we can keep track of its effectiveness and provide meaningful feedback to our customers. Data such as number of clicks, downloads and activation, is monitored on the relevant platform. At the end of the advertising period, we will compile a feedback report which will include details of the traffic data during the advertising or promotion period, our evaluation of its overall effectiveness and our comments and recommendations for future improvement.

In some rare occasions, we may fail to publish the advertisement in accordance with the agreed terms of the relevant agreements due to, among others, malfunctioning of server, website, hardware and software, or maintenance being carried without advance notice.

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The following are the typical examples:

- *Missing advertisement on agreed advertisement space:* We would explain the reasons for omission, such as busy traffic or omission by our employees. We would take steps to launch the missing advertisement as soon as it comes to our attention. If the advertising client is not satisfied with our remedial measure, we may occasionally offer to extend the advertising period on a reasonable and discretionary basis.
- *Number of clicks below promised target:* We monitor the number of clicks of the advertisement so that we can keep track of its effectiveness and provide meaningful feedback to our advertising client. We will take initiative to discuss with our customer if the number of clicks does not meet the target even if we are not contractually required to meet a certain number of clicks. It is a common practice for the number of clicks to be below the target given the instability of website browsing. If the customer is not satisfied with our explanation, we may occasionally offer to extend the advertising period on a reasonable and discretionary basis.

During the Track Record Period, we did not receive any complaint of claim which involves monetary compensations on our part.

(ii) **Promotional and technical support services**

Apart from displaying advertisements on our Platform, we also provide the following promotional and technical support services to our advertising customers:

- *Word of mouth marketing.* We set up special zone on our Platform where product testing reports, user feedbacks and experience sharings are published. We believe that viewers generally regard word of mouth from product users as a more reliable source of information in making their purchase decision. Our technical support involves the provision of advice on the testing reports based on our data-mining analysis; and the use of graphic design and computer graphic effect to attract users' attention to the special zone. We charge our advertising customers based on the duration of service.
- *Social activities marketing.* We launch social activities for our advertising customers in the social activities board on our Platform to promote their products and increase the awareness among potential purchasers. Our technical support involves the provision of advice on the choice of social activities and the corresponding effectiveness based on our data-mining analysis; and the use of graphic design and computer graphic effect to attract users' attention to the social activities board. For details of social activities marketing, please refer to the paragraph headed "Platform Content and Services — social activities board" in this section. We charge our customers based on the duration of service.
- *Content marketing.* According to different areas of interest, our editorial team inserts information and content of the products in different information columns on our Platform and relevant user blogs. By browsing the information and content on our Platform,

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information of the products would be exposed to our users. Our technical support involves the provision of advice on the choice of information and content of the products to be displayed on our Platform based on our data-mining analysis; and the use of graphic design and computer graphic effect to attract users' attention to the information columns and the user blogs. We charge our advertising customers based on the duration of service.

(iii) **Website redirecting for third-party online shopping platform**

Our marketing and promotional service in website redirecting is mainly provided for a third-party online shopping platform. Product advertisement was designed with a built-in hyperlink. Once the advertisement is clicked by the user, he or she will be redirected to the designated website of the third-party online shopping platform where further details of the products are displayed. We charge the third-party online shopping platform a commission, which is determined based on a pre-agreed percentage of the amount of purchases made on the third party online shopping platform by web users redirected by us. The percentage varies among different goods categories, with majority ranging from 5% to 20%. The payment system adopted by the third-party online shopping platform keeps record of the purchases made by each customer redirected by us. Based on the transaction records generated by such payment system each month, the third-party online shopping platform shall pay a commission to us based on the total amount of successful transactions. As we can only monitor the number of redirecting but not the actual number of transactions successfully completed nor the amount of such transactions as a result of the redirecting within the system, we are unable to reliably estimate the monthly commission. The third-party online shopping platform confirms the completion of purchase transactions when the goods have been received by purchasers. Upon the receipt of statement from the third-party shopping platform to confirm the successful completion of the purchase transactions, the commission will be recognized as revenue.

Payment and credit term

In general, we receive payment from our customers upon the end of the advertising period under the advertising service agreement. The credit period is generally 60-90 days after completion of the advertising service agreement, depending on the historical business relationship and payment record of such customers. Invoices will be issued to our customers at the end of the advertising period for their settlement.

Pricing

Our Directors and the head of the management department are responsible for determining the selling price of our online advertising space, the service fee for our promotional and technical support services and the commission fee for website redirecting. Internal meetings are held on a regular basis between our Directors and the head of the management department to digest market feedback and discuss any potential price movement. We then adjust the selling price or fee on an annual basis.

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For the display of online advertisement, the selling price varies with different forms of advertisement (i.e. full banner, banner, button, multi-flip and couplet). The selling price of the advertising space is generally based on the following major factors:

- PV and UV of the relevant part of our Platforms;
- the adjustment in price offered by our competitors;
- the level of acceptance of the current market price which we gather from customers' feedback; and
- the seasonal factor.

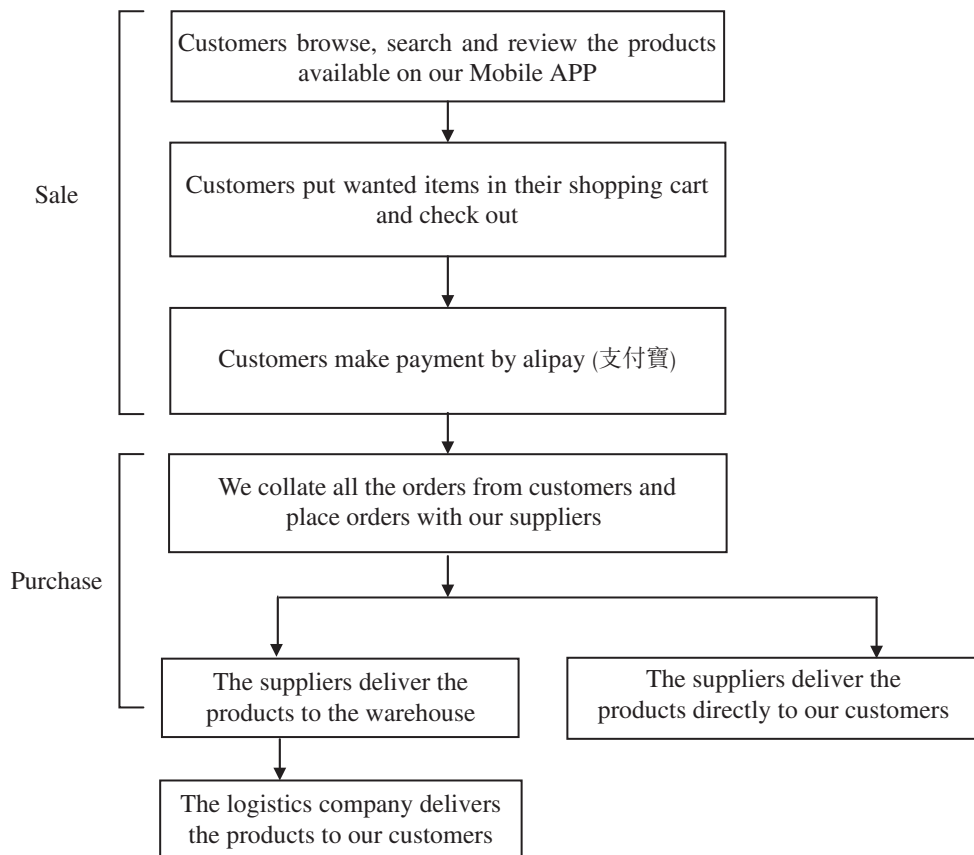
B. Our e-commerce business

Our Group also leverages our brand recognition and heavy Internet traffic seeking for CBM content and services to generate revenues from e-commerce activities. By analyzing the areas of interest and preferences of our users, which are mainly CBM consumers, we are able to form an informed view and create a portfolio of CBM products and brands which are more likely to be popular among users of our Platform. Our Group began to engage in e-commerce activities related to the sale of products, including milk bottles, diapers, toys, skincare products and other products related to CBM in September 2014. We do not sell edible products. Our e-commerce activities are only conducted through our Mobile APPs, namely CI APP (育兒網), Pregnancy Reminder (孕期提醒) and Mother Zone (媽媽社區). In order to explore this new business segment, we have employed additional expertise staff, including customer relations officer, e-commerce software system developer, logistics officer and procurement officer, each with previous working experience in the e-commerce business.

In respect of our e-commerce business, we act as an online retailer and customers may purchase by placing online orders with us. We will place orders with distributors, product manufacturers or other online platforms directly. Gross profit is derived from the difference between the online selling price set by us and the price that we pay to such suppliers after deducting related staff costs and business taxes and surcharges.

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The following flow chart illustrates the model of our e-commerce business:



Through mobile Internet devices, customers can browse, search, review and compare products, explore and discover new trends, communicate with peers and settle transactions with alipay anywhere and anytime on our Mobile APP. We price our products based on the price quoted by our suppliers plus a margin. We have entered into a service agreement with Alipay (China) Network Technology Company Limited for using alipay (支付宝) in our e-commerce business. This will allow customers with alipay accounts to complete their transaction online and directly pay into our alipay account. We have also entered into a service agreement with Beijing UnionPay Merchant Services Company Limited (北京銀聯商務有限公司) for using their UnionPay system and with Shenzhen City Tencent Computer System Company Limited (深圳市騰訊計算機系統有限公司) for using their weixun payment system (微信支付), which are available to our e-commerce customers since May 2015. For each transaction, we will in return pay a fee to each of the payment services providers based on a percentage of the transaction amount as recorded by their respective systems.

For certain products with high turnover rate and depending on the practice of our suppliers as mentioned below, we may place orders with our suppliers based on the forecast sales orders. For products with consistent and reliable history of sale, we generally place procurement order from our suppliers once in two weeks. This is to keep inventory at a minimum so as to reduce the costs for storage. We entered into agreement with an independent third party logistics company which provides us with warehouse service and delivery service to our customers. Our suppliers are mainly product manufacturers, distributors and other online shopping platforms. Product manufacturers provide direct

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delivery service to our customers. By contrast, not all distributor suppliers provide direct delivery service to our customers. In this case, we place orders with such distributor suppliers based on the forecast sale orders and products will be delivered to the warehouse owned by the logistics company, which will arrange delivery to our customers. On the other hand, suppliers which are other online shopping platforms do not provide direct delivery service. The procurement and logistics arrangement is the same as mentioned above. To reduce the risk of procuring defective products, we only engage reputable and reliable suppliers and would require proof that such products comply with the quality and safety requirements under PRC laws. We will closely monitor the inventory levels through a real-time online monitoring system and instruct our staff to perform stock-taking and check the conditions of the products, at the end of each month.

To prevent the sale of counterfeit goods, it is part of our procurement policy to inspect the production certificate (商品生產許可證) or authorized sale agent certificate (代理授權銷售許可證), where appropriate, of our suppliers and other certificates and reports relating to the products.

We accept return of products sold within 14 days and will refund to our customers without the need for any reason as long as the condition of the returned products does not hinder subsequent re-sale. In case of defective products, we accept return and will in turn return them to our suppliers and claim refund. Such refund and return policy does not extend to free gifts or souvenirs accompanying the sold products. Since the launch of our e-commerce business in September 2014 and up to the Latest Practicable Date, we received 57 claims for return and refund which amount to a total of about RMB6,500 but have not received any product liability claims which would materially affect our operations. As advised by our PRC Legal Advisers, we are responsible for the loss and damage suffered by our customers as a result of using our products. We have not maintained insurance coverage for product liability since our e-commerce business merely contributes an insignificant part of our revenue and our Directors believe that insurance coverage is not necessary.

Our Directors consider that the competition between our advertising customers and our e-commerce business is minimal due to (i) the large scale of the CBM commerce market; and (ii) the fact that our e-commerce business only contributed approximately 0.8% of the revenue for the year ended 31 December 2014. As such, the impact of the competition on our financial position and operations is minimal.

C. Our licensing of smart-hardware devices

As at the Latest Practicable Date, our Group has developed a smart-hardware device, namely the fetal heart monitoring device (胎心儀). It comprises an ultrasonic probe, an information input module, an information processing module, an information display module and a mobile terminal. The ultrasonic probe is used for probing fetal heart signals and enabling ultrasonic signals of fetal heart movement to be converted to audio frequency information to be outputted. The information processing module is used for calculating and processing user body information inputted through the information input module and fetal heart audio frequency information of a fetus-voice meter main body inputted through a communication unit to generate display information data, and the information display module is used for displaying information generated by the information processing module. The displayed information comprises fetal heart position information obtained through calculation and processing of the information processing module according to a pregnancy cycle of a user. Once

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connected to a smart phone through the mobile terminal, the user can have access to data and status relating to the fetus such as fetal heart position, heart audio frequency information and signals of fetal heart movement. The fetal heart monitoring device can monitor the fetal heart rate of a fetus, can help a pregnant woman quickly and precisely find a fetal heart position, smoothly carries out fetal heart monitoring, and eliminates anxious and nervous moods of the pregnant woman. Unlike any other similar devices on the market, our fetal heart monitoring device can connect with user's mobile device and together with our Mobile APP "Pregnancy Reminder" (孕期提醒), users can add additional features to the fetus profile such as music, photo albums, daily personal message to the fetus, etc. Expectant mothers can also get proper nutrition advice and other useful tips according to the status of the fetus.

We commenced the cooperation for the research and development of smart-hardware devices in August 2014 and we did not record any revenue for this business segment during the Track Record Period. Pursuant to the cooperation agreement with the third-party device manufacturer, we will be responsible for developing the software of the fetal heart monitoring device and the third-party manufacturer will be responsible for the manufacturing and sale of the fetal heart monitoring device. For each fetal heart monitoring device sold by the third-party device manufacturer, we will be entitled to a licence fee which is equal to 40% of the unit sale price.

The software for the fetal heart monitoring device, as well as the software (i.e. Mobile APPs) to be used to connect the fetal heart monitoring device with user's mobile device, were developed by our technical team which includes a systems designer and two mobile APP system engineers, who possess relevant experience and expertise in developing control software and mobile APPs. Through connecting the fetal heart monitoring device with our Platform using the Mobile APPs, expecting mothers can share their pregnancy experience with users of our Platform. This will in turn attract friends, family members and those that wish to become mothers to join and use our Platform, thereby increasing Internet traffic and creating synergy between the device and our Platform.

As advised by our PRC Legal Advisers, fetal heart monitoring device is classified as medical equipment and so the production and sale are subject to licensing and approval of the relevant regulatory authorities in the PRC. The third-party device manufacturer of the fetal heart monitoring devices is responsible for obtaining all the licences and approval and complying with all the legal requirements relating to the production and sale of fetal hearing monitoring devices under the relevant PRC laws and regulations.

As at the Latest Practicable Date, development of the fetal heart monitoring device has been completed. The third-party manufacturer has obtained the Permit for the Medical Device Production Enterprise (《醫療器械生產企業許可證》). The third-party manufacturer's application for the Medical Device Registration Certificate (《醫療器械註冊證》) has been accepted by the competent authority in January 2015. Once the Medical Device Registration Certificate for the fetal heart monitoring device is obtained by the third-party manufacturer, it can proceed with production. Our Group has agreed to grant the third-party manufacturer a licence to use the software developed for the fetal heart monitoring device and licence fees will be paid by the third party manufacturer to us for each unit sold. No other smart-hardware devices are being developed as at the Latest Practicable Date. Our Group will consider developing other smart-hardware devices in the future, making reference to the market response to the fetal heart monitoring device.

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SALES AND CUSTOMERS

The officers from our marketing department is responsible for promoting our brand name. We do it by entering into cooperation agreements with other online media platforms to promote our brand names and content and services offered on our Platform.

The customers of our business of the provision of marketing and promotional service are mainly advertising agencies, CBM product manufacturers and service providers and a third-party online shopping platform. The customers of our e-commerce business are mainly individuals who are users of our Platform while the customer of our business of licensing of smart-hardware devices is a third party manufacturer of our designed smart-hardware devices.

Our top five customers for the two years ended 31 December 2013 and 2014 consisted of four advertising agents and one manufacturer of daily essentials. For the two years ended 31 December 2014, our top five customers accounted for 53.0%, and 48.0% of our total operating income respectively, while our largest customer accounted for 17.9% and 13.8% of our total operating income respectively for the same period. All of our top five customers during the Track Record Period are Independent Third Parties.

The table below sets out the background information of our top five customers during the year ended 31 December 2013:

Ranking	Business activities of the customer	Year of commencement of business relationship	Approximate revenue for the year ended 31 December 2013 (RMB'000)	% of revenue for the year ended 31 December 2013	
1	Leo Burnett Shanghai* (上海李奧貝納廣告有限公司)	Advertising agent	2007	7,066	17.9%
2	Shanghai Allyes Advertising Company Group Limited* (上海好耶廣告有限公司集團)	Advertising agent	2007	6,041	15.3%
3	Kimberly-Clark (China) Limited* (金佰利(中國)有限公司)	Manufacturer of daily essentials	2009	3,418	8.7%
4	Shanghai MediaV Advertising Company Limited* (上海聚勝萬合廣告有限公司)	Advertising agent	2011	2,197	5.6%
5	Shanghai Asatsu Advertising Company Limited* (上海旭通廣告有限公司)	Advertising agent	2007	2,154	5.5%

The top five customers of our Group for the year ended 31 December 2013 include (i) Leo Burnett Shanghai* (上海李奧貝納廣告有限公司), the local branch of a multinational advertising agency (founded in the United States) engaging in internet advertising and the provision of advertising solution services which is a member of a “big 4” advertising group; (ii) Shanghai Allyes Advertising Company Group Limited * (上海好耶廣告有限公司集團), a sizeable domestic advertising agency

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engaging in internet and media marketing; (iii) Kimberly-Clark (China) Limited* (金佰利(中國)有限公司), the local branch of a multinational product manufacturer (founded in the United States) engaging in the production of health care products, daily essential products and consumer goods; (iv) Shanghai MediaV Advertising Company Limited* (上海聚勝萬合廣告有限公司), a sizeable domestic advertising agency with offices in several major cities in the PRC engaging in the provision of advertising technical service; and (v) Shanghai Asatsu Advertising Company Limited* (上海旭通廣告有限公司), the local branch of a multinational advertising agency (founded in Japan) engaging in the provision of advertising service and market research analysis.

The table below sets out the background information of our top five customers during the year ended 31 December 2014:

Ranking	Business activities of the customer	Year of commencement of business relationship	Approximate revenue for the year ended 31 December 2014 (RMB'000)	% of revenue for the year ended 31 December 2013
1	Publicis Advertising Company Group Limited* (陽獅廣告有限公司集團)	2007	7,397	13.8%
2	Shanghai MediaV Advertising Company Limited* (上海聚勝萬合廣告有限公司)	2011	5,637	10.5%
3	Aegis Media Group* (安吉斯媒體集團)	2009	5,302	9.9%
4	Kimberly-Clark (China) Limited* (金佰利(中國)有限公司)	2009	4,542	8.5%
5	Beijing Tensyn Innovative Internet Marketing Technology Company Limited* (北京騰信創新網絡營銷技術股份有限公司), previously known as Beijing Tensyn Interactive Advertising Company Limited* (北京騰信互動廣告有限責任公司)	2010	2,761	5.2%

The top five customers of our Group for the year ended 31 December 2014 include (i) Publicis Advertising Company Group Limited* (陽獅廣告有限公司集團), a multinational advertising agency (founded in the France) engaging in the provision of advertising media service, public relations service and marketing and sales service which is one of the “big 4” advertising group, (ii) Shanghai MediaV Advertising Company Limited* (上海聚勝萬合廣告有限公司), a sizeable domestic advertising agency with offices in several major cities in China engaging in the provision of advertising technical service; (iii) Aegis Media Group* (安吉斯媒體集團), the local branch of a multinational advertising agency (founded in the United Kingdom) engaging in the provision of media and brand marketing service; (iv) Kimberly-Clark (China) Limited* (金佰利(中國)有限公司), the local branch of a multinational product manufacturer (founded in the United States) engaging in the production of health care products, daily essential products and consumer goods; and (v) Beijing Tensyn Innovative Internet Marketing Technology Company Limited* (北京騰信創新網絡營銷技術股份有限公司), previously known as Beijing Tensyn Interactive Advertising Company Limited* (北京騰信互動廣告有限責任公司), a domestic advertising agency engaging in internet advertising and the provision of advertising solutions service whose shares are listed on the Shenzhen Stock Exchange (stock code: 300392).

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None of our Directors or their respective close associates or any shareholder, which to the knowledge of our Directors owns more than 5% of our Company's issued share capital, had any interest in any of our customers during the Track Record Period.

SUPPLIERS

The suppliers of our business of the provision of marketing and promotional service are mainly technology service providers, providers of Internet data centre services and content delivery network, advertising service provider and server service provider. The suppliers of our e-commerce are mainly providers of Internet data centre services and content delivery network, logistics company, advertising service provider, other online shopping platforms, product distributors and trading companies. We have no supplier for our licensing of smart-hardware devices since the software, technological knowledge and know-how are developed by ourselves.

Our top five suppliers for the year ended 31 December 2013 consisted of a technology service provider, two providers of Internet data centre services and content delivery network, a logistics company and an advertising service provider. Our top five suppliers for the year ended 31 December 2014 consisted of a technology service provider, a logistics company, two providers of Internet data centre services and content delivery network and a server service provider. For the two years ended 31 December 2014, our top five suppliers accounted for 53.7%, and 47.8% of our total operating expense respectively, while our largest supplier accounted for 42.4% and 27.4% of our total operating expense respectively for the same period. All of our top five suppliers during the Track Record Period are Independent Third Parties.

The table below sets out the background information of our top five suppliers during the year ended 31 December 2013:

Ranking	Business activities of the supplier	Year of commencement of business relationship	Approximate operating expense for the year ended 31 December 2013 (RMB'000)	% of operating expense for the year ended 31 December 2013
1	Technology service	2013	4,212	42.4%
2	Provider of Internet data centre service and content delivery network	2008	362	3.6%
3	Logistics service	2008	278	2.8%
4	Provider of Internet data centre service and content delivery network	2009	246	2.5%
5	Property management	2013	237	2.4%

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The table below sets out the background information of our top five suppliers during the year ended 31 December 2014:

Ranking	Business activities of the supplier	Year of commencement of business relationship	Approximate operating expense for the year ended 31 December 2014 (RMB'000)	% of operating expense for the year ended 31 December 2014
1	Technology service	2013	1,517	27.4%
2	Logistics service	2008	539	9.7%
3	Provider of Internet data centre service and content delivery network	2009	261	4.7%
4	Provider of Internet data centre service and content delivery network	2008	168	3.0%
5	Server service	2014	167	3.0%

We settle payments to our suppliers by way of bank transfer upon their delivery of service.

None of our Directors or their respective close associates or any shareholder, which to the knowledge of our Directors owns more than 5% of our Company's issued share capital, had any interest in any of our suppliers during the Track Record Period.

RESEARCH AND DEVELOPMENT

Content development

Our Group develops the majority of our content through extensive research and our own internal resources. We intend to raise the amount of in-house developed content as they become increasingly popular. Our Directors believe that our in-house developed content is highly attractive to visitors to our Platform.

Our in-house content editors are mainly responsible for the following matters on a daily basis:

- Generating online articles;
- Drafting product test reports;
- Preparing CBM expert Q&A sessions;
- Arranging interviews with CBM experts;
- Observing market price trends and drafting industry trend summaries;

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- Reviewing and editing articles by third-party writers;
- Attending new products' news conferences and drafting new product reviews; and
- Cooperating with system administrators and managing the discussion forum.

Platform development

To maintain and enhance stickiness to our Platform, we will continue to invest in research and development to enhance our Platform. The research and development of our Platform is mainly carried out by our operation and technical departments. As of 31 December 2014, our operation department comprises 64 employees and our technical department comprises 17 employees. They are responsible for upgrading our platforms and developing interactive family entertainment products such as Mobile APPs. We have a dedicated focus on the development of interactive family entertainment products on our Platform to increase its attractiveness and entertainment value so as to attract users to visit as a family unit.

For the two years ended 31 December 2013 and 2014, our research and development costs were RMB19.5 million and RMB15.7 million, representing 49.6% and 29.4% of our total revenue for the years ended 31 December 2013 and 2014, respectively.

OUR TECHNOLOGY INFRASTRUCTURE

Our Directors believe that the components of our technology infrastructure have significantly contributed to the success of our business operations.

The large Internet traffic focusing on CBM to our Platform is supported by a stable and functional network infrastructure. As at the Latest Practicable Date, we owned a total of 69 servers hosted in different geographic regions in China. We believe that our current network facilities provide us with sufficient capacity to carry our current operations and are able to be expanded to meet additional capacity relatively quickly and with minimum incremental cost. We have procurement policies to manage and monitor our procurement procedures and costs. In principle, we directly purchase servers for location inside China. To ensure the quality and safety of our network infrastructure, we usually purchase servers from qualified and reliable suppliers. We may also test the servers before making a procurement decision. We evaluate our suppliers on a regular basis based on the performance of their servers and services and will replace unqualified suppliers in a timely manner.

We have exclusive access to the data and software on the servers. We monitor the operation of our server network on a daily basis. We can access our server network in real time to track the activities of our Platform, and to discover and fix problems in the operation of hardware and software on a timely basis. All of our data centres have security control protocols and daily on-site surveillance monitoring, among others, to ensure only authorised personnel can gain physical access to the servers. Any upgrade or update of the software applications, hardware devices or system configurations has to be pre-approved by a system administration supervisor. Consistent positive testing results have to be shown before such upgrade or update can be put into real operation. Ongoing supervision of new

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systems is performed and feedback reports are compiled so that bugs and abnormalities can be identified at the earliest opportunity. We also have physical check procedures that routinely inspect the servers in our co-location data centres for any possible abnormality. We routinely (i) audit all login attempts, (ii) scan our servers for security breaches and (iii) evaluate and apply security patches. For remote access to the servers by our systems administrators for maintenance purposes, we enforce security by applying multiple level access control to limit access to the servers. Each responsible system administrator has an account and is assigned a password for accessing the system. Such password has to be changed regularly for security purpose. It is also our policy to prohibit system administrators to use the same account or use the others' password. All maintenance of servers are performed regularly, and subject to routine audit. Changes to databases can only be performed on our central control system and such changes are also subject to routine audit. Our server network is also linked to our data backup system, which backs up data on a regular basis. As at the Latest Practicable Date, there are 17 employees in our technical department to maintain our current technology infrastructure, to ensure the stability of our operations and to monitor our servers fixing any technical problems as they arise while avoiding interruption of servers. Regular trainings are provided to them to keep abreast of rapid development in the information technology.

Our existing security control policies and monitoring instrumentation, together with our routine security check, play a critical role in mitigating risks posed to our technology infrastructure. Since our initial launch in 2005, we have not experienced any security breach caused by hacking, virus or cyber attack. System breakdown, if happens, is identified on a real time basis by our administrators on duty, who will perform maintenance and replace the hardware if necessary. Maintenance is normally completed within one hour if appropriate replacement is ready in stock, but in any event no later than one day. We make detailed records of the incident, analyze the underlying reasons and compile proposal for improvement in the future. Despite our comprehensive policy relating to our technology infrastructure, as an online platform, we are constantly exposed to risks, please see "Risk Factors — Unexpected network interruptions caused by system failures may result in reduced visitor traffic, reduced revenue and harm to our reputation" in this prospectus. We have not received any complaints from customers as a result of system breakdown, loss of data or disconnection during the Track Record Period and as at the Latest Practicable Date. On the basis of our Group's in-house operation of its robust networks, we are able to react effectively to the market, by promptly and efficiently meeting visitors' demands for new services and features. A scalable network design and unified system management strategy allows our Group to grow its network or increase download/upload speeds in response to user needs simply by physically adding additional network devices.

PERSONAL INFORMATION MONITORING AND PROTECTION OF CONFIDENTIAL INFORMATION

We collect, receive, store and process personal information such as email address, QQ ID, mobile number and other data of our users. We also utilize internally-developed monitoring software with reporting and tracking systems that allow us to generate daily traffic numbers, visitor demographics, and advertising reports. We provide advertisers only with aggregated non-personal information such as the number of times their advertisements have been clicked. We do not sell, rent or otherwise share the personal information of our users with any third parties except in limited circumstances, such as when we believe it is required to do so by law enforcement authorities.

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We take seriously the protection of our users' confidential information. In addition to standard data security measures such as passwords and firewalls, we seek to protect user's information and account by employing comprehensive content filters, such as auto-detecting and blocking the appearance of phone numbers or bank account numbers to ensure that contents posted by our users on our discussion forum, Q&A sessions, user blogs or other areas on our Platform are screened to prevent disclosure of personal information, the use of abusive language and other inappropriate behavior. We may impose bans on users who are found to have engaged in inappropriate behavior. Our employees are prohibited to use the personal information of our users for purposes which are not related to the maintenance of their accounts, unless their prior consent is obtained. Given our internal policy to prohibit the sale, rental and sharing of personal information of our users except in limited circumstances and our sound data storage system, our Directors believe we have applied adequate measures for the reasonable safeguarding of our users' confidential information.

COMPETITION

According to iResearch, the vertical CBM market in the PRC is a growing industry concentrated with a small number of large vertical CBM platforms. There are relatively fewer media and marketing platforms with large and engaged user base from which our potential clients could choose. Other than competition in relation to the choice of platforms, we also faces competition from within the sector. For details, please refer to the section headed "Industry Overview" in this prospectus.

We face competition on the quality and effectiveness of our services, our ability to meet potential clients' expectations and specifications in a flexible way, and our experience and reputation. On the other hand, we commenced our e-commerce business in September 2014. Meanwhile, more companies are also entering to this industry and competition in this industry is becoming more tense. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths include the following:

- we have a large and engaged user base with heavy Internet traffic seeking for CBM content and products;
- our user-centric and interactive nature drives a superior user experience;
- we have a well established business model in monetization of our user base;
- we are able to maintain a good relationship with our business partners;
- we have strong in-house research and development capabilities; and
- we have an in-depth understanding on the CBM market.

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EMPLOYEES

As at the Latest Practicable Date, we had a total of 160 employees, all of them work in our office in Nanjing. The following table shows the breakdown of our employees by function as at the Latest Practicable Date:

Department	Main functions	Number of employees
Management (including financial department)	Overseeing daily operations of all our departments and formulating pricing strategies	7
Technical	Performing research and development of software applications, website maintenance, improving platform functions, user traffic monetization	17
Editorial	Gathering data and providing specialized content for our Platform; monitoring the operation of our social media web pages in Weibo and Wechat	24
Marketing	Promoting our Platform by cooperating with the media, related institutions and public relations agencies, raising our brand recognition and professional image	5
Customer Service (I)	Providing marketing and promotional service, credit and accounts management, maintaining relationship with advertising customers, overall business planning with reference to customers' needs	26
Customer Service (II)	Maintaining the content and services on our Platform	11
e-commerce	Developing software applications for e-commerce business, handling the operations of e-commerce activities, arranging logistics of products, providing pre-sale and after-sale services	6
Operation (I)	Performing research and development of our Mobile APP "Mother Zone"	17
Operation (II)	Performing research and development of other Mobile APPs including "Pregnancy Reminder"	12
Operation (III)	Performing research and development of interactive family entertainment products	35
Total		<u>160</u>

We recruit our personnel in local markets through the local recruitment website. We do not engage any external employment agent for recruitment purposes. The remuneration package of our employees varies subject to their position, includes basic salary, annual/performance bonuses and/or bonuses subject to years of employment. In general, we determine employee salaries based on their performance and length of services. We believe the salaries and benefits we provided to our employees are competitive with local market standards. We may employ independent contractors to support our content development.

We have implemented training for our new employees during their course of employment in order to ensure that our employees are able to meet the job requirements. In addition, we will occasionally

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arrange internal and external trainings for our employees. For external trainings, we may invite external speakers who have extensive experience in information technology to attend our office to perform the training, and for internal trainings, the topics may include finance, accounting, risk management or information technology and such trainings will be conducted by the relevant department. We consider these on job training are necessary for our employees to handle issues which may arise in our day to day operations and enhance their ethic and morale.

We have not experienced any strikes or significant labour disputes that have materially affected our operations, or any that are expected to materially affect our operations, and we consider our relations with our employees to be good. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements.

INSURANCE

Consistent with the industry practice in China, we do not maintain business interruption insurance or insurance covering potential liabilities. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. 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. Please refer to “Risk Factors — Risks related to the business of our Group — We do not maintain any property or business insurance coverage”.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

Our Group has obtained key intellectual property and proprietary rights in connection with the operation of our business. Our Group has registered the domain name www.ci123.com with China Internet Network Information Centre, a domain name registration service in China and has full legal rights over this domain name. We have also filed application for registration of seven trademarks. As advised by our PRC legal advisers, the brand logo of PC Web “ 育儿网” is not a registrable trademark in the PRC. Nonetheless, we have filed application for registration of such trademark in Hong Kong.

Details of our intellectual property rights, which, in the opinion of our Directors, are material to our business and operations, are set out under the section headed “Appendix IV — Statutory and General Information — Further information about our business” in this prospectus. Our Directors are of the opinion that our Group has applied for registration or owns all the copyrights, trademarks and domain names that are essential and material to our operation.

Our Group has independently developed a majority of our technologies in relation to the operation of our Platform and have registered 14 of them with the NCAC, and has obtained copyrights for 14 of them. In addition, we have registered with the NCAC and obtained copyright certificates for eight of its artworks (美術作品).

Save for the trademark and domain name disclosed in this prospectus, our business and profitability are not dependent on any other trademarks, copyrights or other intellectual property rights.

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AWARDS AND ACHIEVEMENTS

We have received numerous awards in recognition of our services since our incorporation. The table below sets forth key awards received by us as at the Latest Practicable Date.

Year	Award/Recognition	Awarding Body
2009	Internet website highest growth potential award in 2008-2009	iResearch
2012	Our Mobile APP “Pregnancy Reminder” (孕期提醒) — Top 10 downloaded Mobile APP from APP Store of Apple	Apple Inc.
2013	Our Mobile APP “Pregnancy Reminder” (孕期提醒) — innovative development award	Alimama (an online shopping platform)
2014	Our Mobile APP “Pregnancy Reminder” (孕期提醒) — Top 10 downloaded Mobile APP from APP Store of Apple	Apple Inc.
2015	Our website, PC Web, has been awarded the best website (Mother-Child category (母婴)) for the year 2014	Macromill
2015	Our Mobile APP “Pregnancy Reminder” (孕婦提醒) — Top 50 innovation APP award	iResearch

LICENCES, PERMITS AND APPROVALS

As at the Latest Practicable Date, we have obtained the ICP licences which are requisite for our business operations in the PRC. The table below sets forth the relevant details of our major licence, being the ICP licences, required for our operation in the PRC.

Licence	Holder ^(Note 1)	Expiration Date	Renewal Requirements
ICP licence	Nanjing Xihui	9 October 2019	submit renewal application 90 days prior to expiration
ICP licence	Nanjing Xinchuang	18 November 2019	submit renewal application 90 days prior to expiration
ICP licence	Nanjing Fuyuan	9 August 2015 ^(Note 2)	submit renewal application 90 days prior to expiration

Notes:

(1) We control these companies by virtue of the Contractual Arrangement.

(2) Renewal application was submitted in June 2015 and is being processed as at the Latest Practicable Date.

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We do not expect any legal impediment to renew these licences upon their expiration. Please see the section headed “Regulatory Overview” for more details of all the licences, permits and approvals we need our business operations in the PRC.

PROPERTY INTEREST

We have entered into leases, generally with terms between one to three years, with local governmental authorities, private entities and individuals in the PRC. These leased properties are used as offices.

The rent is primarily calculated based on floor area (in square meters). As at the Latest Practicable Date, we had 14 lease agreements located in Nanjing with a total gross floor area of approximately 1,650 square meters.

As at the Latest Practicable Date, the lessors of 2 of our lease properties covering total gross floor area of 200 square meters cannot provided us with relevant title certificates, representing approximately 12.1% of the total gross floor area of the leased properties.

Our Directors believe that the fact we have not received the title certificates will not have a material adverse effect on our business, financial condition and results of operations primarily because (i) we can easily lease other properties with valid title certificates in the event that we can no longer use any of the above properties with lease deficiencies; (ii) as of the Latest Practicable Date, no governmental authority or third party has made any claims or imposed any penalty against us with respect to the abovementioned lease deficiencies; (iii) the fact that the lessors did not provide us with the relevant title certificates does not have any adverse impact on the safety conditions of the said leases; (iv) we believe that in the event that we are required to terminate the abovementioned leases, alternate premises of similar size and rent are readily available in the vicinity, the time and cost for relocation would not be material and such relocation will not materially interrupt our business operations or financial conditions. We believe, after consulting our PRC Legal Advisers, that we would not be subject to penalties for the abovementioned lease deficiencies. We will strive to reduce legal and title defects to our leased properties by prompting the relevant lessors to provide us with proper title certificates and/or complete registration of our leases or enter into new leases.

In addition, as of the Latest Practicable Date, the lessors for the said two properties with title defects and two other lessors of our lease properties have not registered such leases with relevant governmental authorities altogether covering a total gross floor area of 320 square meters, representing approximately 19.4% of the total gross floor area of the leased properties.

Our PRC Legal Advisers advised that the non-registration as disclosed above will not affect the validity of the said lease agreements. Pursuant to applicable laws and regulations, registration of leases agreement shall be made within 30 days from the date of the lease agreement, failing which the parties to the lease agreement are subject to a fine ranging from RMB1,000 to RMB10,000 per lease agreement.

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ENVIRONMENTAL COMPLIANCE

As an Internet content provider, we are not subject to any significant environmental regulations. We do not currently have any environmental liabilities and do not expect to incur any environmental liabilities that could have any material impact on our financial condition or business operations in the future.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. We are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceeding that, in the opinion of our management, is likely to have a material and adverse effect on our business, financial condition or results of operations, nor have we experienced any incident of non-compliance which, in the opinion of our Directors, is likely to materially and adversely affect our business, financial condition or results of operations.

During the Track Record Period, our Group was the defendant in the following litigations regarding infringement of third-party intellectual property rights:

No.	Plaintiff	Defendant	Nature of litigation	Claims	Status
1.	廣東原創動力文化傳播有限公司 (Creative Power Entertaining Limited Liability Company*)	our Group	Copyright infringement dispute: The plaintiff initiated legal proceedings against the defendant in January 2014 for alleged copyright infringement of mobile APP 《喜羊羊益智園之太鼓律動 (APK應用)》 distributed on PC Web (www.ci123.com).	The defendant should: 1. remove and delete mobile APP 《喜羊羊益智園之太鼓律動 (APK應用)》 and relevant data from PC Web; 2. compensate the plaintiff's economic loss in the sum of RMB30,000; and 3. compensate the reasonable expenses of RMB5,000 incurred by the plaintiff for the case.	南京市江寧區人民法院 (People's Court of Jiangning District of Nanjing*) issued a first instance judgment on 20 May 2014 ((2014) Jiangning Zhi Min Chu Zi Di No. 12) and the rulings are as follows: 1. The defendant should remove and delete mobile APP 《喜羊羊益智園之太鼓律動 (APK應用)》 and relevant data from PC Web; 2. The defendant should compensate plaintiff's economic loss in the sum of RMB5,000; and 3. the other claims are dismissed. The mobile APP was immediately removed after the proceedings and the amount was paid on 11 February 2015.

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No.	Plaintiff	Defendant	Nature of litigation	Claims	Status
2.	廣東原創動力文化傳播有限公司 (Creative Power Entertaining Limited Liability Company*)	our Group	Copyright infringement dispute: The plaintiff initiated legal proceedings against the defendant in January 2014 for alleged copyright infringement of mobile APP 《喜羊羊益智園之育腦遊戲 (APK應用)》 distributed on PC Web (www.ci123.com).	The defendant should: 1. remove and delete mobile APP 《喜羊羊益智園之育腦遊戲 (APK應用)》 and relevant data from PC Web; 2. compensate the plaintiff's economic loss in the sum of RMB30,000; and 3. compensate the reasonable expenses of RMB5,000 incurred by the plaintiff for the case.	南京市江寧區人民法院 (People's Court of Jiangning District of Nanjing*) issued a first instance judgment on 20 May 2014 ((2014) Jiangning Zhi Min Chu Zi Di No. 13) and the rulings are as follows: 1. The defendant should remove and delete mobile APP 《喜羊羊益智園之育腦遊戲 (APK應用)》 and relevant data from PC Web; 2. The defendant should compensate plaintiff's economic loss in the sum of RMB5,000; and 3. the other claims are dismissed. The mobile APP was removed immediately after the proceedings and the amount was paid on 11 February 2015.

Given the amount concerned in the abovementioned litigations were (i) minimal; and (ii) fully settled, our Directors are of the view that the financial position and business operations of our Group would not be materially affected.

Other than the lawsuits disclosed above, to the best knowledge of our Directors, they are not aware of any other material incident of infringement of third party intellectual property rights by us during the Track Record Period.

To prevent potential infringement of third party intellectual property rights in the future, we engaged an internal control consultant in August 2014, who has made recommendations to prevent any future non-compliance of our Group. The follow-up review was conducted by our internal control consultant in April 2015, including, among other things, reviewing the newly issued policies, randomly selecting transaction samples and performing testing to verify the effectiveness of the internal control. Our internal control consultant noted from the follow-up review that all their recommendations have been strictly implemented by us as at the date of this prospectus. Based on the recommendations from our internal control consultant, we have adopted and implemented the following internal control policies on 2 March 2015 (the "Policies"):

- All content will be screened by senior editors of the editorial team before being published on our Platform to ensure all third party sources are identified.

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- All third party sources must be properly labelled and acknowledged. Where the author of the original work can be identified, the editorial team will obtain their written consent before posting, if practicable. However, pursuant to the Regulations, the original work shall not be altered and adopted in any respect if the author has declared in advance that the content may not be quoted.
- If the senior editors are concerned about the potential liabilities arising from the use of any third party intellectual property rights in particular where the author cannot be identified or reached, we will seek advice from external legal advisers. We will use the third party intellectual property rights in issue only after clearing all legal issues involved (if any).
- Any possible infringement of third party intellectual property rights shall be reported to the department heads or senior management and we, after receiving such report, will commence an investigation which will include reviewing the content posted, identifying the relevant issues, collecting all relevant facts in relation to these issues, discussing the matter with our editorial and other related teams, seeking assistance from our external legal advisers if necessary, and communicating and negotiating with the third parties if necessary.
- We will periodically arrange training sessions that are conducted by our external legal advisers for our management and employees, which generally focus on avoiding infringement of third party intellectual property rights and protecting our own intellectual property rights. All new-comers will attend training sessions to avoid intellectual property infringement as part of their employment training. We intend to arrange training sessions at least once every year.

Based on the results of the follow-up review in April 2015, our internal control consultant is of the view that the design of the Policies is adequate and effective as of the Latest Practicable Date to prevent the occurrence of the above non-compliance incidents.

As of the Latest Practicable Date, none of our Directors or senior management was involved in any material litigation, arbitration or administrative proceeding. Our Directors as well as our internal control consultant confirm that the abovementioned internal control measures have been effective since their adoption on 2 March 2015.

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During the Track Record Period and the subsequent period up to the Latest Practicable Date, we had complied with applicable PRC laws and regulations in all material respects and were not subject to any material administrative proceedings or penalties for any non-compliance under PRC law, save and except for the following:

Non-compliance regarding PRC employee social insurance payment and housing provident fund:

Non-compliance incident and reason	Legal consequences and potential maximum penalties and other financial losses	Remedial actions to rectify the non-compliance	Risk exposure and latest status
<p>Before October 2014, our subsidiaries, namely Nanjing Fuyuan, Nanjing Xihui and Nanjing Xinchuang did not contribute in full social insurance and housing provident fund contributions. We estimate the total outstanding social insurance and housing provident fund contributions during the Track Record Period amounted to RMB0.96 million, which are the results of shortfall for the amounts paid by each of the subsidiaries and the amounts may be demanded by the relevant authorities. At the relevant time, human resources managers of our subsidiaries were responsible for the administration of our Group's PRC employee social insurance and housing provident funds but they were not familiar with the relevant requirements.</p>	<p>According to the relevant PRC laws and regulations:</p> <p>(i) with respect to social insurance, the relevant social insurance authorities may order our Group to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding contributions, and they may impose a maximum fine or penalty equivalent to three times of the outstanding amounts if such payment is not made within the prescribed time period.</p>	<p>As of the Latest Practicable Date, we have not received any notification from the relevant authorities alleging that we had not fully contributed to the social insurance and/or housing provident fund and demanding payment of the same before a stipulated deadline. In the event that we receive requests from the relevant authorities, we intend to immediately pay the outstanding social insurance and housing provident funds and/or any late payment, charges and/or penalties imposed by the relevant authorities accordingly. We also made provision on potential claims of unpaid social insurance and housing provident fund contributions in the amount of RMB0.96 million.</p> <p>We have fully paid social insurance and housing provident fund contributions relating to the salaries paid to the employees in accordance with the relevant PRC laws and regulations since October 2014 and established a written policy for operation risk management and regulatory compliance.</p>	<p>We have also obtained confirmations from the relevant local social insurance and housing provident fund authorities for all of our PRC subsidiaries that: (i) no administrative penalty has been imposed; and/or (ii) the amount of social insurance and housing provident funds paid for the aforesaid companies are in compliance with the respective laws and regulations in relation to the social insurance and housing provident funds.</p> <p>Based on the above reasons, our PRC legal advisers are of the view that the risk that the relevant social insurance and housing fund authorities demand the unpaid social insurance and housing provident funds from us is low.</p> <p>We are advised by our PRC legal advisers that the relevant local social insurance authorities and housing provident fund authorities mentioned above are competent to give such confirmations and it is unlikely that such confirmations will be challenged or revoked by higher level authorities.</p>

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Non-compliance incident and reason	Legal consequences and potential maximum penalties and other financial losses	Remedial actions to rectify the non-compliance	Risk exposure and latest status
	<p>(ii) with respect to housing provident fund, the relevant housing provident fund authorities may order our Group to pay the outstanding amounts of the housing provident fund within the prescribed time period, if we still fail to do so, the relevant housing provident fund authorities may apply to the court for the enforcement of the unpaid amounts. Other than the outstanding amounts of the housing provident fund, there are no additional late charges as provided in the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例).</p>	<p>We have also engaged a risk management institution to advise us on enforcing the said written policy and avoiding future non-compliance.</p>	

Our Directors and the Sole Sponsor are of the views that, based on the remedial actions to rectify the non-compliance as disclosed above and on the internal control measures implemented by the Company as disclosed under the paragraph headed “Internal Control Over Business Operations” of this section, our Group’s enhanced internal control measures are adequate and effective.

In addition, the Controlling Shareholders had agreed to indemnify our Company against the abovementioned outstanding social insurance and housing provident funds and/or any late payment, charges and/or penalties imposed by the relevant authorities subsequent to the Listing.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

We have adopted internal control procedures to ensure regulatory compliance in our business operations in China. In particular, we have adopted the content screening policy to ensure that the content on our Platform does not violate any laws or regulations in the PRC and does not infringe the intellectual property rights of other third parties. Under the content screening policy, our editorial department is responsible for monitoring the content created and posted by our users on the discussion board of our Platform, whereas our operation department is responsible for monitoring the content posted on our Platform. We have the right to delete any written content, pictures or videos uploaded which we think inappropriate, offensive or abusive; violates any relevant laws and regulations; or infringes any intellectual property rights. There are currently 6 and 5 responsible officers in our editorial department and our operation department, respectively (the “**content screening officers**”). Our team of content screening officers has an average industry experience of over 5 years.

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To strengthen our content screening capability, we have developed a content screening system in which a list of forbidden wordings is installed and updated in accordance with relevant government policy from time to time. Either the users are prohibited from submitting posts and replies containing the forbidden wordings or such posts and replies will be turned invisible on the discussion forum. We monitor user generated content on a 24-hour basis by way of rotational shift of our responsible officers.

During our content development, our editorial department will conduct comprehensive intellectual property right search in the PRC, primarily by conducting researches on the relevant websites that are open to the public, to avoid potential infringement upon third parties' existing trademark, copyright or patent rights. For development of our own intellectual property rights, our operation department will perform a preliminary review of the application materials relating to the proposed trademark, copyright or patent right. We will mark a preliminary assessment on whether such application violates any third parties' existing intellectual property rights. Our operation department will then conduct searches, including searches on intellectual property right related websites, to ensure such new application does not infringe existing intellectual property rights. Upon the approval by the head of our operation department, we will engage professional agencies to complete the application with the relevant government authorities.

We regularly communicate with the relevant regulatory authorities to keep abreast of the regulatory environment and developments in local laws and regulations so as to ensure our regulatory compliance of our business operations and to support our business development and expansion in the PRC CBM market. We have retained a qualified PRC law firm to examine the contract terms and all relevant documents, including the licences and permits obtained by the counterparties and all the necessary underlying due diligence materials, before we enter into any contract to ensure we do not violate any PRC laws and regulations.

Our Directors confirm that, as at the Latest Practicable Date, none of our content or our business operations had been challenged or subject to any regulatory actions by any governmental authorities in China.

CONTRACTUAL ARRANGEMENT

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Introduction

We are primarily engaged in operation of online platform focusing on the CBM market (the “**Principal Business**”), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we cannot acquire equity interest in Nanjing Xihui and Nanjing Xinchuang (the “**PRC Contractual Entities**”), which hold certain licences and permits required for the operation of our Principal Business. For further details of the limitations on foreign ownership in PRC companies conducting 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 — Laws and Regulations in relation to Foreign Investment in the Value-Added Telecommunications Industry” in this prospectus.

As a result, our WFOE, namely Nanjing Xibai, entered into the Contractual Arrangement with our PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of our PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of our PRC Contractual Entities. Pursuant to the Contractual Arrangement, all substantial and material business decisions of the PRC Contractual Entities will be instructed and supervised by our Group, through Nanjing Xibai, and all risks arising from the business of the PRC Contractual Entities are also effectively borne by Nanjing Xibai. Given that the functions and risks are undertaken by Nanjing Xibai and according to the relevant transfer pricing regulations in China, Nanjing Xibai should be considered as a service provider with all the functions necessary for its operation. According to the Administrative Procedures for Special Tax Adjustments of China and Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, transactional net margin method is generally appropriate to determine if it is necessary to make transfer pricing tax provision for inter-company provision of services/sales of goods. A transactional net margin method refers to transfer pricing study by electing comparable companies conducting similar business and compares the net margin. In our case, we have conducted such study by selecting comparable companies and compared the net margin (i.e., gross margin deducting operating expenses of those companies with that of the PRC Contractual Entities). Further, after consulting an independent professional firm, we consider that the transactional net margin is a reasonable and reliable measurement to evaluate this particular inter-company transaction as it will not be distorted by sampling deviation arising from the price or cost of any unusual transaction or abnormal operating costs of the entity. Thus, we considered transactional net margin method as the most appropriate method to verify whether the pricing method in the related party transactions is in line with arm’s length basis as described in the relevant transfer pricing tax regulations. Based on the result of the Contractual Arrangement and after consultation with an independent professional firm, we are of the view that the profit level of Nanjing Xibai is within the quartile reasonable range of that of comparable companies conducting similar businesses. Therefore, this analysis also implies that the profit level of Nanjing Xibai derived from this inter-company transaction is also considered arm’s length in nature. In other words, considering the terms and conditions of the transfer pricing arrangement between Nanjing Xibai and our PRC Contractual Entities are conducted on an arm’s length basis as described in the relevant transfer pricing tax regulations, it is fair and reasonable for Nanjing Xibai to be entitled to all economic benefits generated by the business operated by the PRC Contractual Entities through the Contractual Arrangement as a whole. We also therefore consider that the risk of challenge by the PRC tax authorities for the transfer pricing arrangement under the Contractual Arrangement is remote, and the Contractual Arrangement

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is not in violation of the applicable PRC laws and regulations governing transfer pricing. Furthermore, as at the Latest Practicable Date, none of Nanjing Xibai and the PRC Contractual Entities had been investigated, challenged or penalized for any transfer pricing-related matter, and after the Listing, we will continue to engage independent professional firm to regularly review the transfer pricing arrangement of the transaction under the Contractual Arrangement to ensure that they are conducted on an arm's length basis as described in the relevant transfer pricing tax regulations. Based on the above and upon discussion with other professional parties, the Sole Sponsor agrees with the Directors' view that the risk of challenge by the PRC tax authorities for the transfer pricing arrangement under the Contractual Arrangement is remote, and the Contractual Arrangement is not in violation of the applicable PRC laws and regulations governing transfer pricing.

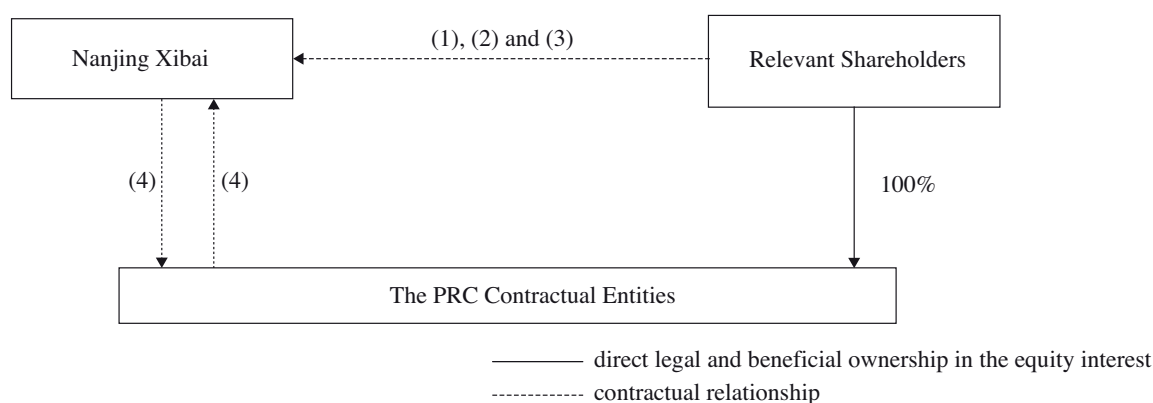
With respect to the Contractual Arrangement, on 30 December 2014, Nanjing Xibai, our PRC Contractual Entities, namely Nanjing Xihui and Nanjing Xinchuang, and the Relevant Shareholders, namely Ms. Li Juan and Mr. Cheng Li (where applicable) have entered into the following underlying agreements:

- (i) business cooperation agreement (業務合作協議);
- (ii) exclusive technology service and management consultation agreement (獨家技術服務及管理諮詢協議);
- (iii) shareholders' rights entrustment agreement (股東權利委託協議);
- (iv) equity interest pledge agreement (股權質押協議); and
- (v) exclusive option agreement (獨家購買權協議).

The underlying agreements of the Contractual Arrangement are collectively referred to as the “**Structured Contracts**”.

DETAILS OF THE CONTRACTUAL ARRANGEMENT AND THE STRUCTURED CONTRACTS

The following diagram illustrates the flow of the economic benefit from our PRC Contractual Entities to our Group stipulated under the Contractual Arrangement:



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Notes:

1. Nanjing Xibai is entrusted with the shareholders' rights of the Relevant Shareholders in the PRC Contractual Entities. Please refer to below subsection headed “— Shareholders' Rights Entrustment Agreement” of this prospectus for details.
2. Nanjing Xibai is granted exclusive options to acquire all or part of the equity interest or assets in the PRC Contractual Entities from the Relevant Shareholders. Please refer to below subsection headed “— Exclusive Option Agreement” of this prospectus for details.
3. Nanjing Xibai is granted priority security interests over the entire equity interest in the PRC Contractual Entities as held by the Relevant Shareholders. Please refer to below subsection headed “— Equity Interest Pledge Agreement” of this prospectus for details.
4. Nanjing Xibai provides services on an exclusive basis to the PRC Contractual Entities in return for service fees. Please refer to below subsections headed “— Business Cooperation Agreement” and “— Exclusive Technology Service and Management Consultation Agreement” of this prospectus for details.

Business Cooperation Agreement

Nanjing Xibai entered into a business cooperation agreement with our PRC Contractual Entities and the Relevant Shareholders on 30 December 2014 (the “**Business Cooperation Agreement**”), pursuant to which Nanjing Xibai, our PRC Contractual Entities and the Relevant Shareholders agreed to enter into a series of underlying agreements for the establishment of business cooperation among the parties and implementation of the Contractual Arrangement, and Nanjing Xibai agreed to provide various services such as management consultancy, technology and software research and development, technical consultation, promotion planning and market promotion necessary for the operations of our PRC Contractual Entities and our PRC Contractual Entities agreed to pay service fees to Nanjing Xibai according to the Structured Contracts.

The Business Cooperation Agreement provides, among others, that:

- each of our PRC Contractual Entities and the Relevant Shareholders has agreed, among others:
 - to follow recommendations of Nanjing Xibai on the day-to-day management of our PRC Contractual Entities;
 - to cause persons recommended by Nanjing Xibai to be elected as the board members or assume senior management positions of our PRC Contractual Entities; and
 - any dividends and other distributions of our PRC Contractual Entities payable to the Relevant Shareholders, shall be unconditionally paid to Nanjing Xibai.
- each of our PRC Contractual Entities and the Relevant Shareholders has undertaken not to, without the prior written consent of Nanjing Xibai or its designated person(s), among others:

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- engage in activities outside their normal business scopes or change their modes of business operation;
- incur any indebtedness over a certain threshold amount;
- remove or change the directors, supervisors or senior management of our PRC Contractual Entities or their subsidiaries;
- dispose of, transfer, lend, authorize the use of, or create any encumbrance over any material assets or rights of our PRC Contractual Entities or their subsidiaries to any third party other than Nanjing Xibai or its designated person(s), or purchase any material assets or rights from any third party;
- dispose of any equity interest of our PRC Contractual Entities or their subsidiaries to any third party other than Nanjing Xibai or its designated person(s), or alter their registered capitals or shareholding structures;
- alter the articles of association or business scope, or any important internal policies and rules of our PRC Contractual Entities or their subsidiaries;
- enter into any contract except those entered in the ordinary course of business;
- declare any dividend;
- conduct any activity which may adversely affect the ability of our PRC Contractual Entities or their subsidiaries to make payment to Nanjing Xibai; and
- transfer any rights under the Business Cooperation Agreement or other underlying agreements to the Contractual Arrangement to, or enter into similar contractual arrangement with, any third party other than Nanjing Xibai or its designated person(s).

Our PRC Legal Advisers are of the opinion that such payment of service fees and aforementioned restrictive provisions are not subject to any legal or regulatory approvals in the PRC and do not violate any PRC laws.

The Business Operation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) Nanjing Xibai has acquired the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Exclusive Technology Service and Management Consultation Agreement

Nanjing Xibai entered into exclusive technology service and management consultation agreement with our PRC Contractual Entities on 30 December 2014 (the “**Exclusive Technology Service and Management Consultation Agreement**”), pursuant to which our PRC Contractual

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Entities agreed to engage Nanjing Xibai as their exclusive provider of technical and management consulting services and other technology and consultancy services requested by our PRC Contractual Entities to support their operations from time to time to the extent permitted under PRC laws in exchange for service fees.

The technical services provided include:

- development of computer and mobile device software;
- webpages and websites design, monitoring, testing and debugging;
- management of information systems;
- provision of technical supports;
- provision of technological consultation services;
- provision of technical training;
- engagement of technical staff to provide on-site technical guidance; and
- other technical services as reasonably requested by our PRC Contractual Entities.

The management consultation services provided include:

- formulation of management models and business plans;
- formulation of market development plans;
- provision of market information and customer resources information;
- market research and analysis;
- staff training;
- establishment of sales networks; and
- other services as reasonably requested by our PRC Contractual Entities.

The Exclusive Technology Service and Management Consultation Agreement also provides that Nanjing Xibai has the exclusive proprietary rights to all intellectual property rights developed or created by Nanjing Xibai or our PRC Contractual Entities during the performance of the Exclusive Technology Service and Management Consultation Agreement.

For the purpose of provision of these services and the services under the Business Cooperation Agreement, Nanjing Xibai has employed dedicated research and development personnel to be

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primarily responsible for providing technical services to our PRC Contractual Entities as well as business management personnel to be primarily responsible for providing business consultation and other similar services to our PRC Contractual Entities. Furthermore, Nanjing Xibai has also acquired necessary facilities such as computers and office equipment to enable Nanjing Xibai to provide the relevant services to our PRC Contractual Entities under the Business Cooperation Agreement and the Exclusive Technology Service and Management Consultation Agreement. As a result of the Contractual Arrangement, Nanjing Xibai has taken over the operational functions of the PRC Contractual Entities and become the contracting party with our telecommunication carriers and other service providers in terms of our procurement of bandwidth and internet data centre services from such service providers. On the other hand, the PRC Contractual Entities remain the billing entities towards our customers and continue to provide customer support services. To cope with the change in functions, in addition to engagement of new employees, existing employees of the PRC Contractual Entities in our other departments namely management, technical, editorial, marketing and operation departments who are necessary for provision of the relevant services under the Contractual Arrangement have been transferred to Nanjing Xibai. The relevant existing employees of the PRC Contractual Entities had been taken over by Nanjing Xibai since the execution of the Structured Contracts on 30 December 2014, and since then Nanjing Xibai had been providing services to the PRC Contractual Entities under the Contractual Arrangement. Nevertheless, we had to attend to necessary procedures with respect to renewal of employment contracts, and social insurance and housing provident funds with the relevant governmental authorities. As such, and taking into account the intervening Chinese New Year holiday, the said necessary procedures for the transfer of all relevant employees had been entirely completed as at the end of March 2015.

According to the Exclusive Technology Service and Management Consultation Agreement, our PRC Contractual Entities shall pay service fees to Nanjing Xibai every six months as calculated by Nanjing Xibai based on the financial conditions of our PRC Contractual Entities. In the premises of compliance with the PRC laws and regulations, the service fees are equal to the profits of our PRC Contractual Entities after deducting losses in previous years, necessary operating costs, expenses and taxes. The services fees are subject to Nanjing Xibai's adjustment taking into account the actual situations of provision of services and our PRC Contractual Entities' operating status and development needs. Further, given that the functions and risks are undertaken by Nanjing Xibai and after consultation with an independent professional firm, we are of the view that the profit level of Nanjing Xibai is within the quartile reasonable range of that of the comparable companies conducting similar businesses and the result of the Contractual Arrangement is in line with the arm's length basis. Furthermore, after the Listing, we will continue to engage independent professional firm to regularly review the terms of the transfer pricing arrangement of the transactions under the Contractual Arrangement to ensure that they are conducted on an arm's length basis as described in the relevant transfer pricing tax regulations.

The Exclusive Technology Service and Management Consultation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) Nanjing Xibai's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

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Shareholders' Rights Entrustment Agreement

Nanjing Xibai entered into a shareholders' rights entrustment agreement with our PRC Contractual Entities and the Relevant Shareholders on 30 December 2014 (the "**Shareholders' Rights Entrustment Agreement**"), pursuant to which the Relevant Shareholders irrevocably authorized Nanjing Xibai to exercise their shareholders' rights in our PRC Contractual Entities, including attending shareholders' meetings and exercising voting rights and dividend distribution rights. Nanjing Xibai is authorized to exercise any of the shareholders' rights without consulting or obtaining the consent of the Relevant Shareholders. Furthermore, Nanjing Xibai is entitled to authorize other individuals to exercise the shareholder's rights within the scope authorized by the Relevant Shareholders.

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Relevant Shareholders also entered into a power of attorney on the same date of the agreement (the "**Powers of Attorney**"). Pursuant to the Powers of Attorney, each of the Relevant Shareholders irrevocably appoints Nanjing Xibai or its designated persons to be appointed by it at its sole discretion to act as his/her/its exclusive attorney on his/her/its own behalf to exercise all rights in connection with matters concerning his/her/its rights as shareholder of our PRC Contractual Entities, including but not limited to:

- convening and attending shareholders' meetings of our PRC Contractual Entities, and exercising shareholder's voting rights with regard to all matters discussed and resolved during the shareholders' meetings;
- executing shareholders' meeting records, resolutions and other legal documents of our PRC Contractual Entities;
- directing the directors and legal representatives of our PRC Contractual Entities to act according to the intentions of Nanjing Xibai;
- exercising all other shareholders' rights under the constitutional documents of our PRC Contractual Entities;
- handling registration matters of our PRC Contractual Entities with the responsible registration authorities; and
- disposing and dealing with the equity interests of our PRC Contractual Entities held by the Relevant Shareholders.

The Shareholders' Rights Entrustment Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon Nanjing Xibai's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

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Equity Interest Pledge Agreement

Our PRC Contractual Entities, the Relevant Shareholders and Nanjing Xibai entered into equity interest pledge agreements on 30 December 2014 (the “**Equity Interest Pledge Agreement**”), pursuant to which the Relevant Shareholders granted a first priority of security interest in their respective interests in the registered capitals of our PRC Contractual Entities. Under the Equity Interest Pledge Agreement, the Relevant Shareholders agreed to pledge all their respective equity interests in our PRC Contractual Entities to Nanjing Xibai, as a security interest, to guarantee the performance of contractual obligations and the payment of outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Business Cooperation Agreement, the Exclusive Technology Service and Management Consultation Agreement, the Shareholders’ Rights Entrustment Agreement and the Exclusive Option Agreement.

The Equity Interest Pledge Agreement became effective after execution and shall remain valid until all the contractual obligations of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully performed and all the outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully paid. The Equity Interest Pledge Agreement shall also be terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

We have completed registration of the equity pledge of our PRC Contractual Entities pursuant to the Equity Interest Pledge Agreement in January 2015 at the relevant AIC.

Exclusive Option Agreement

Our PRC Contractual Entities and the Relevant Shareholders entered into exclusive option agreement with Nanjing Xibai on 30 December 2014 (the “**Exclusive Option Agreement**”). Pursuant to the Exclusive Option Agreement, among others:

- The Relevant Shareholders irrevocably granted the exclusive right to Nanjing Xibai to require the Relevant Shareholders to transfer their equity interests in our PRC Contractual Entities to Nanjing Xibai, or such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or the lowest value permitted by law.
- Our PRC Contractual Entities irrevocably granted the exclusive right to Nanjing Xibai to acquire the assets in whole or in part from our PRC Contractual Entities, in its favour or in favour of such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or lowest value permitted by law.
- The rights may be exercised at any time within the effective period of the Exclusive Option Agreement.

The Exclusive Option Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon acquiring by Nanjing Xibai or its designated entities the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

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Spouse Undertakings

The spouse of each of the Relevant Shareholders has signed an undertaking on 30 December 2014 (“**Spouse Undertakings**”). Pursuant to the Spouse Undertakings, each of the spouses of the Relevant Shareholders irrevocably undertakes that:

- (i) the spouse has been made fully aware of the Contractual Arrangement and consented that such Relevant Shareholder is the sole beneficiary of all the rights and interests and solely assumes obligations under the Contractual Arrangement;
- (ii) all the equity interests held by such Relevant Shareholder in our PRC Contractual Entities shall be deemed as assets solely owned by such Relevant Shareholder, not mutual assets jointly owned by him/her and the related Relevant Shareholder, and the Relevant Shareholder shall be entitled to dispose of the equity interests in accordance with the Contractual Arrangement without his/her consent;
- (iii) the spouse will not claim any interests or rights in the equities or assets of our PRC Contractual Entities; and
- (iv) in the event that the spouse obtains any interests in our PRC Contractual Entities, he/she will be subject to and abide by the terms of the Contractual Arrangement as if he/she was a signing party to such Contractual Arrangement, and at the request of Nanjing Xibai he/she will sign any documents in the form and substance consistent with the Contractual Arrangement.

Dispute Resolution

All the agreements comprising the Structured Contracts provide for dispute resolution by way of arbitration in Shanghai by the arbitral body of the Shanghai International Economic and Trade Arbitration Commission (上海國際經濟貿易仲裁委員會) (“**SIETAC**”) in accordance with its then prevailing arbitration rules. The arbitration ruling shall be final and binding on all parties.

Under the PRC law, the non-defaulting party can request the court or the arbitral tribunal to grant remedies by requiring the defaulting parties to perform specific obligations under the contract, including non-monetary obligations, or adopt interim measures such as freezing the defaulting party’s properties temporarily to avoid non-performance of arbitral award. The courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of our PRC Contractual Entities are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares held by Relevant Shareholders in our PRC Contractual Entities or properties of our PRC Contractual Entities. However, our PRC Legal Advisers have advised that the above provisions may not be enforceable under the PRC laws. An arbitral body does not have the power to grant any liquidation or winding-up order for the purpose of protecting assets of or equity interest in case of disputes. In the event of non-compliance with such award, enforcement measures may be sought from the court by the arbitral body. However,

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at the time of enforcement, the court has the power to review the arbitral award and may not support the award of an arbitral body when deciding whether to take enforcement measures under certain circumstances. 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 the PRC.

Succession

As advised by our PRC Legal Advisers, the provisions set out in the Structured Contracts are also binding on any successors of the Relevant Shareholders as if the successor was a signing party to the Structured Contracts. Although the Structured Contracts do not specify the identity of successors to such shareholders, under the succession law of the PRC, statutory successors may include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and as such any breach by the successors would be deemed to be a breach of the Structured Contracts. In case of a breach, Nanjing Xibai can exercise its rights against the successors. Pursuant to the Structured Contracts, any successor of the Relevant Shareholders shall assume any and all rights and obligations of the Relevant Shareholders under the Structured Contracts as if the successor was a signing party to such Structured Contracts.

In addition, the spouse of each of the Relevant Shareholders has provided irrevocable undertakings which stipulate certain matters to succession of the rights and obligations under the Structured Contracts. For details, please refer to “Spouse Undertakings” above in this section. Our PRC Legal Advisers is of the view that (i) the Structured Contracts provide protection to our Group even in the event of death or divorce of any Relevant Shareholders and (ii) the death or divorce of such Relevant Shareholder would not affect the validity of the Structured Contracts, and the successors of such Relevant Shareholder would be bound by the Structured Contracts.

Arrangements to Address Potential Conflicts of Interests

Each of the Relevant Shareholders has given their irrevocable undertakings in the Powers of Attorney, and has given certain restrictive covenants under the Business Cooperation Agreement which address potential conflicts of interests that may arise in connection with the Contractual Arrangement. For further details, please refer to above subsections headed “— Business Cooperation Agreement” and “— Shareholders’ Rights Entrustment Agreement” of this prospectus.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Nanjing Xibai is legally required to share the losses of, or provide financial support to, our PRC Contractual Entities. Further, our PRC Contractual Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Nanjing Xibai intends continuously to provide to or assist our PRC Contractual Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through our PRC Contractual Entities, which hold the requisite PRC operational licences

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and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our PRC Contractual Entities suffer losses.

However, as provided in the Exclusive Option Agreement, our PRC Contractual Entities shall, among others:

- not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its assets, or create any encumbrance on its assets; (ii) amend their constitutional documents; (iii) pass any resolution to undertake other businesses, winding up or dissolution; (iv) provide loans or guarantee to third parties; and (v) undergo any merger and acquisition, without the prior written consent of Nanjing Xibai;
- not directly or indirectly distribute profits to its shareholders;
- operate their businesses under the directions of Nanjing Xibai in accordance to the Contractual Arrangement;
- execute all documentation necessary to ensure ownership of their assets and give effect to validity to the Contractual Arrangement;
- maintain continuous operations in accordance with good financing and commercial standards and customary practice, and handle matters diligently and effectively;
- not create, take up or guarantee any liability except in the ordinary course of business or with the prior written consent of Nanjing Xibai;
- provide all information relating to business operations and financial conditions as required by Nanjing Xibai from time to time; and
- inform Nanjing Xibai immediately of any actual or potential litigation, arbitration, administrative investigation or other acts situations which may affect their assets, business or revenue.

Therefore, due to the relevant restrictive provisions in the Exclusive Option Agreement, the potential adverse effect on our Company and Nanjing Xibai in the event of any loss suffered from our PRC Contractual Entities can be limited to a certain extent.

Bankruptcy

Our PRC Legal Advisers has advised that the concept of bankruptcy of a natural person does not exist under PRC laws, and, as such, there is currently no possibility of an event of bankruptcy of the Relevant Shareholders under PRC laws.

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Furthermore, in case of occurrence of any event which may affect a Relevant Shareholder's performance of his/her obligations under the Structured Contracts, Nanjing Xibai is entitled to exercise its option to purchase the equity interest held by such Relevant Shareholder in our PRC Contractual Entities by itself or through its appointees under the Exclusive Option Agreement. All equity interests of our PRC Contractual Entities held by Relevant Shareholders have also been pledged to Nanjing Xibai under the Equity Interest Pledge Agreement to secure performance of obligations by the Relevant Shareholders and our PRC Contractual Entities under the Structured Contracts and in case of any breach of such obligations, Nanjing Xibai is entitled to exercise its rights under such pledge.

Termination

Other than the Equity Interest Pledge Agreement, which shall remain valid until all the contractual obligations of our PRC Contractual Entities and the Relevant Shareholders under the Contractual Arrangement have been fully performed, each of the Structured Contracts has a termination provision that our PRC Contractual Entities and the Relevant Shareholders (where applicable) are not entitled to unilaterally terminate the Structured Contracts. Each of the Structured Contracts shall be (a) automatically terminated upon Nanjing Xibai has acquired the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangement.

Qualification Requirements

In addition to the foreign investment restrictions, according to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定), a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and operating experience in providing value-added telecommunications services overseas (the "**Qualification Requirements**"). For details, please refer to "Regulatory Overview — Laws and Regulations in relation to Telecommunications Services and Foreign Ownership Restrictions — Laws and Regulations in Relation to Foreign Investments in the Value-added Telecommunications Industry" in this prospectus. Since no written guidelines have been publicly issued by the MIIT to specify the criteria of the Qualification Requirements (such as what would constitute "a good track record"), the MIIT retains reasonable discretion in granting approvals for the foreign investor's commencement of value-added telecommunication business in the PRC.

We have taken and plan to continue to take steps to enable ourselves to comply with the Qualifications Requirements if and when the PRC laws and competent authorities substantially allow foreign investors to invest in value-added telecommunications enterprises in the PRC. We have incorporated a wholly-owned subsidiary in Hong Kong, namely Star Universal, which will construct an overseas website for users in Hong Kong and Taiwan in the final quarter of 2015. At the beginning stage, our overseas website will provide links through which users will be re-directed to our PC Web

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for information. To further develop our overseas website, we plan to localize the contents of our overseas website and may adopt similar business model as our PC Web for provision of marketing and promotional services when our overseas website becomes more mature and has further established its own user base. On the other hand, we plan to launch traditional Chinese versions of some of our key Mobile APPs, all of which are currently in simplified Chinese versions, through available and suitable overseas platforms.

We expect that the aggregate expenditures incurred and to be incurred for taking the steps mentioned above will be minimal as our proposed steps mostly involve the application of ready-made resources of our Group. Our PRC Legal Advisers is of the view that the steps mentioned above are reasonable and appropriate to enhance our overseas experience for compliance with the Qualification Requirements. We will continue to seek specific guidance from relevant PRC regulatory authorities with respect to compliance with the Qualification Requirements and are committed to implement our expansion plan in targeted overseas markets with an aim to develop a proven track record of operation of online platform for the CBM market. We will provide periodic updates of our efforts and actions taken to comply with the Qualification Requirements in our annual and interim reports after the Listing.

Company's confirmation

As of the Latest Practicable Date, we have not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our PRC Contractual Entities under the Contractual Arrangement.

Given that the Contractual Arrangement will constitute continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed "Connected Transactions" in this prospectus.

Legality of the Contractual Arrangement

PRC Legal Opinions

King & Wood Mallesons, the Company's PRC Legal Advisers, after taking reasonable actions and steps to reach its legal conclusions including interview with the competent PRC regulatory authority, namely 江蘇省通信管理局 (Jiangsu Communication Administration), is of the following legal opinion that:

- (i) each of our PRC Contractual Entities is duly established and validly existing under the PRC laws, and has obtained or completed all requisite approvals, permits, registrations or filings that are material for carrying out its business operations as required by the applicable PRC laws, regulations and rules;
- (ii) each of the Structured Contracts, will upon execution, constitute legal, valid and binding obligation of the parties thereto and is in full compliance with and will be enforceable under applicable PRC laws, regulations and rules, in particular, the terms of the Structured Contracts do not, individually or collectively, violate the provisions of the PRC Contract

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Law, the General Principles of the PRC Civil Law and other applicable PRC laws and regulations, except that (a) the arbitral tribunal has no power to grant injunctive relief, nor will it be able to order the winding up of our PRC Contractual Entities pursuant to the current PRC laws; (b) interim remedies or enforcement order granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China;

- (iii) each of the Structured Contracts does not violate any provisions of the existing articles of association of Nanjing Xibai and our PRC Contractual Entities;
- (iv) the execution, effectiveness and enforceability of the Structured Contracts do not require any approvals from the PRC governmental authorities, except that the pledge of equity interests of our PRC Contractual Entities shall become effective and enforceable after completion of registration with relevant AIC, and we have completed registrations of the equity pledge of the PRC Contractual Entities as contemplated under the Equity Interest Pledge Agreement in January 2015 at the relevant AIC, and the enforceability of the Structured Contracts is subject to the exceptions as set out in paragraph (i)(a) and (b) above;
- (v) under the prevailing PRC laws, pending the completion of registration of the Equity Interest Pledge Agreement, in the event our PRC Contractual Entities or the Relevant Shareholders fail to perform their respective obligations under the Contractual Arrangement, it is lawful for the pledgee, to exercise its rights under the equity pledge contemplated under the Equity Interest Pledge Agreement after taking the necessary enforcement steps, subject to the exceptions as set out in paragraph (i)(a) and (b) above;
- (vi) the consummation of the contemplated listing of our Company's shares on the Stock Exchange is not a violation of the M&A Rules; and
- (vii) MIIT has the authority to administer value-added telecommunication business in the PRC.

We are aware of a press articles which reported that a Supreme People's Court (the "**Supreme People's Court Case**") ruling in October 2012 and two arbitral decisions in 2010 and 2011 from the Shanghai International Economic and Trade Arbitration Commission invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court ruling and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of our PRC Contractual Entities under such contractual structures to renege on their contractual obligations.

Our PRC Legal Advisers is of the view that: (i) the Contractual Arrangement adopted by our Group are not in breach of any applicable PRC laws and regulations; (ii) to their knowledge the relevant terms of the Contractual Arrangement do not fall within any of the circumstances under Section 52 of the PRC Contract Law pursuant to which the contracts would be determined to be

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invalid; (iii) our corporate structure and the Contractual Arrangement are distinguishable from the facts as reported in the Supreme People's Court Case; (iv) the Supreme People's Court Case may not be considered as authority in deciding other cases as it is not, as of the Latest Practicable Date, a guiding case specifically published by the Supreme People's Court of the PRC (指導性案例) which should be followed by lower level people's courts throughout China; and (v) decisions of the arbitral tribunals are not published and have no legally binding effect on future arbitration cases in China.

Our PRC Legal Advisers is of the opinion that the Contractual Arrangement would not be deemed as void under PRC Contract Law as they do not fall within any of the five circumstances under Section 52 of the PRC Contract Law. Pursuant to Section 52 of the PRC Contract Law, a contract is void under any of the following circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and therefore damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. The Contractual Arrangement does not fall within circumstance (i) under Section 52 of the PRC Contract Law, because the Contractual Arrangement were freely negotiated and entered into by Nanjing Xibai, our PRC Contractual Entities and the Relevant Shareholders and no apparent interest of the State was damaged by the Contractual Arrangement. Neither do the Contractual Arrangement fall within circumstances (ii) or (iii) because there was no malicious collusion or apparent damage to the interest of the State, a collective unit, a third party or the public. The Contractual Arrangement do not fall within circumstance (v) because none of the arrangements violate any mandatory provisions of current laws in the PRC, which refers to laws promulgated by the National People's Congress of the PRC or its Standing Committee, or any mandatory provisions of administrative regulations in the PRC, which refers to administrative regulations issued by the State Council of the PRC.

In particular, our PRC Legal Advisers is of the view that the Contractual Arrangement would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (iv) under the Section 52 of the PRC Contract Law. This is because the Contractual Arrangement were not entered into for illegitimate purposes. The purposes of the Contractual Arrangement are (i) to enable our PRC Contractual Entities to transfer its economic benefits to Nanjing Xibai as service fees for engaging Nanjing Xibai as its exclusive provider of technical support, business support, relevant consulting services and any other services our PRC Contractual Entities may require, and (ii) to ensure that the Relevant Shareholders of our PRC Contractual Entities do not take any actions that are contrary to the interests of Nanjing Xibai. None of these purposes in and of themselves are illegal or illegitimate, and the individual contracts that comprise the Contractual Arrangement are common agreements that are legitimate and legal. In accordance with Section 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Structured Contracts have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangement, which is to allow our Company to list on the Stock Exchange while obtaining the economic benefits of our PRC Contractual Entities, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements.

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In conclusion, the Contractual Arrangement does not fall within any of the five circumstances set forth in Section 52 of the PRC Contract Law.

Interviews with the competent PRC authority

Interview on 14 January 2015

On 14 January 2015, the Sole Sponsor, assisted by our PRC Legal Advisers, interviewed the section head in charge of Internet management of the 江蘇省通信管理局 (Jiangsu Communication Administration) with respect to the operation of the value-added telecommunication services and the Contractual Arrangement. The interviewee was responsible for the management of licensing for enterprise value-added telecommunications services in Jiangsu Province, the PRC and the PRC Contractual Entities are within the jurisdiction of 江蘇省通信管理局 (Jiangsu Communication Administration). As confirmed by the interviewee, ICP licences are required for the current business operations of the PRC Contractual Entities, and 江蘇省通信管理局 (Jiangsu Communication Administration) has issued the respective ICP licences to the PRC Contractual Entities. As further confirmed by the interviewee, foreign investments in value-added telecommunications services have to follow the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) and it is rare to have foreign investment in enterprises conducting value-added telecommunications services in Jiangsu Province, the PRC. With respect to the MII Notice and the Contractual Arrangement, the interviewee confirmed that 江蘇省通信管理局 (Jiangsu Communication Administration) does not forbid the entering into contractual arrangements between foreign-invested enterprise and PRC operating entity holding ICP licence(s) and such contractual arrangements shall constitute operating activities of the relevant entities which do not need to comply with any registration or approval procedures.

Interview on 2 April 2015

On 2 April 2015, a second interview was conducted with the department head in charge of Internet Management of Jiangsu Communication Administration to, among others, clarify the effect of the Guiding Catalogue for Foreign Investment Industries (Amended in 2015) (《外商投資產業指導目錄(2015年修訂)》) (the “**New Catalogue**”) promulgated by the National Development and Reform Commission (國家發展和改革委員會) and MOFCOM on 10 March 2015 and taking effect from 10 April 2015.

According to the New Catalogue, a foreign investor is prohibited from holding more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services (exclusive of e-commerce). Since e-commerce under value-added telecommunications services does not fall under the restricted or prohibited area, based on the current contents of the Draft New Law and the Notes, foreign investors will not be required to obtain the approval of MOFCOM in this respect. However, according to clause 14 of the New Catalogue, which provides for “other industry restricted by PRC laws and regulations as well as international treaties with which the PRC is a party” (國家法律法規和我國締結或者參加的國際條約規定限制的其他產業), the New Catalogue does not

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exclude the applicability of the PRC laws and regulations currently in force, and hence the restriction on the equity interest of foreign investment in the Telecommunications Enterprises and the Qualification Requirements for foreign investors under the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) are still effective.

Furthermore, according to the interview on 2 April 2015 (after the promulgation of the New Catalogue), Jiangsu Communication Administration expressed again that foreign investment in value-added telecommunications services (including e-commerce) has to comply with the Administrative Rules for Foreign Investments in Telecommunications Enterprises, and it is rare to have foreign investment in enterprises conducting value-added telecommunications services (including e-commerce) in Jiangsu Province.

Based on the above, although the New Catalogue relaxed the restriction on foreign investment in e-commerce, there is still restriction under the Administrative Rules for Foreign Investments in Telecommunications Enterprises and in the practice of the industry competent authority in this area. Accordingly, as of the date hereof, the Contractual Arrangement is still necessary for the operation of our Group's e-commerce business.

Accounting aspects of the Contractual Arrangement

Consolidation of financial results of our PRC Contractual Entities

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. The Contractual Arrangement described above, after being formed, enable our Company to exercise control over our PRC Contractual Entities. The formation of the Contractual Arrangement was accounted for as a transaction without substance and our Group consolidated our PRC Contractual Entities as if they were in our Group from the beginning of the Track Record Period.

Under the Exclusive Technology Service and Management Consultation Agreement entered into between Nanjing Xibai and our PRC Contractual Entities, it was agreed that, in consideration of the services provided by Nanjing Xibai, our PRC Contractual Entities will pay a half-yearly service fee to Nanjing Xibai. The amount of service fees and calculation method shall be determined by Nanjing Xibai at its sole discretion for the best interests of Nanjing Xibai. Under the Exclusive Technology Service and Management Consultation Agreement, Nanjing Xibai may adjust the service fees, at its sole discretion, based on the principle of maintaining the balance of profit and loss for our PRC Contractual Entities so as to allow our PRC Contractual Entities to retain sufficient working capital to carry out its business. Our PRC Contractual Entities shall deliver to Nanjing Xibai its management documents and operating data at the request of Nanjing Xibai. Accordingly, Nanjing Xibai has the ability, at its sole discretion, to extract substantially all of the economic benefit of our PRC Contractual Entities through the Exclusive Technology Service and Management Consultation Agreement. In addition, under the Business Cooperation Agreement, Nanjing Xibai has absolute control over the distribution of dividends or any other form of profit to the shareholders of our PRC Contractual Entities because Nanjing Xibai's prior written consent is required for any such

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distribution. Further, under the Shareholders' Rights Entrustment Agreement, Nanjing Xibai assumes the rights of the shareholders of our PRC Contractual Entities and exercises control over our PRC Contractual Entities including the right to propose, convene and attend shareholders' meetings, the right to amend the articles of association of the PRC Contractual Entities, the right to sell, transfer, dispose of, or impose security on any shares and/ or assets, the right to exercise shareholders' voting rights and to nominate and elect director and/or senior management members of the PRC Contractual Entities.

As a result of the Structured Contracts, our Company has obtained control of our PRC Contractual Entities through Nanjing Xibai and, under our Company's sole discretion, can receive substantially all of the economic interest returns generated by our PRC Contractual Entities. Based on such contractual arrangements from an accounting perspective, we have concluded that it is appropriate to consolidate the financial statements of our PRC Contractual Entities, notwithstanding the lack of equity ownership, as if it is our Group's subsidiary, in accordance with IFRS 10 "Consolidated Financial Statements".

Development in the Legislation on Foreign Investment

Draft new Foreign Investment Law

On 19 January 2015, the MOFCOM published the new draft of the Foreign Investment Law (中華人民共和國外國投資法) (the "**Draft New Law**") for public comment. The new Foreign Investment Law (the "**New Foreign Investment Law**"), if finally adopted, will have significant impact on the foreign investment regime of the PRC.

The Draft New Law proposes to standardize the market entry requirements and procedures for foreign and PRC investors, replacing the existing requirements for approval of all foreign investments by the competent foreign investment authority, and aims to consolidate and simplify the various regulatory requirements on foreign investment.

Specifically, the Draft New Law introduces a new standard in defining the nature of a domestic enterprise. An onshore enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such onshore enterprise's ultimate control person(s) is/are solely PRC investors, upon the competent authorities' approval. "PRC investors" refers to the following bodies under the Draft New Law: (1) natural persons with Chinese nationality; (2) the PRC government and its affiliated departments or offices; and (3) domestic enterprises controlled by any of the aforesaid two bodies. "ultimate control person" refers to natural persons or enterprises that control, directly or indirectly foreign investors or foreign-invested enterprises. According to the Draft New Law, the term "control" means that any of the following conditions is met in respect of an enterprise:

1. Holding, directly or indirectly, more than 50% of shares, equity, share of property, voting power or other similar equities in the enterprise;

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2. Holding, directly or indirectly, less than 50% of shares, equity, share of property, voting power or other similar equities in the enterprise, but are under any of the following circumstances:
 - (i) being entitled to, directly or indirectly, more than half of the members of the enterprise's board of director or the similar decision-making body;
 - (ii) being capable of ensuring that its nominated personnel can occupy more than 50% of seats of the enterprise' board of directors or the similar decision-making body; and
 - (iii) the voting power it holds is sufficient to have significant impact on the resolutions of the board of shareholders, general assembly of shareholders, board of directors or other decision-making body.
3. Exerting decisive impact on the enterprise's management, finance, human resources or technologies by contracts, trust or other ways.

Based on the facts that Ms. Li Juan and Mr. Cheng Li are the controlling shareholders under the GEM Listing Rules, and will together indirectly holds approximately 51% of the issued share capital of our Company upon Listing, and hence capable of exerting decisive impact on the management decisions of the PRC Contractual Entities through the Contractual Arrangement, our PRC Legal Advisers advise that Ms. Li Juan and Mr. Cheng Li are likely to be deemed as “ultimate control persons” as defined under the Draft New Law by MOFCOM. Based on the definition of the term “control”, holding more than 50% of the equity or other forms of interests is not the only circumstance where a person will be deemed as the ultimate control person, and the “control” test can be satisfied if any of the other relevant criteria is satisfied (the other criteria being item 2 and 3 above). As such, it is likely that Ms. Li Juan alone will be deemed as “ultimate control person” and the Contractual Arrangement will have a better chance to be permitted to continue under the Draft New Law. Despite that, in order to ensure the continuity and stability of the operation of, and to maintain and enhance the control over the Company for the purpose of satisfying the Draft New Law, Ms. Li Juan and Mr. Cheng Li have entered into a concert party agreement, and our PRC Legal Advisers advise that such concert party agreement will significantly reduce the uncertainty when carrying out the “control” test under the Draft New Law. Nevertheless, whether Ms. Li Juan and Mr. Cheng Li will finally be identified as the “ultimate control persons” is subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future.

The Draft New Law was accompanied by the MOFCOM's notes (the “Notes”) on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement, or “VIE structure”, which has established before the Draft New Law taking effect.

MOFCOM proposed three possible ways to deal with the existing VIE structure, if the business in which the company is involved still belongs to restricted or prohibited foreign-entry areas, namely the prohibited category and the restricted category for foreign investment to be formulated and promulgated by the State Council, and both PRC investors and foreign investors ultimately controlling

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the existing VIE structures shall comply with the corresponding procedures as to be finally adopted in the formally promulgated and implemented New Foreign Investment Law:

- (i) reporting: if the reporting regime is finally adopted, the existing VIE structure being permitted to continue following reporting to MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft New Law and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the reporting regime;
- (ii) verification: if the verification regime is finally adopted, the existing VIE structure being permitted to continue following verification, on the application of the investor, by MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft New Law and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the verification regime; and
- (iii) approval: if the approval regime is finally adopted, the existing VIE structure being permitted to continue following approval by MOFCOM after taking into account a number of considerations including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person.

It is not certain which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft New Law, a VIE structure which is ultimately controlled by a PRC investor is permitted to continue following reporting to, verification or approval by MOFCOM. Considering the abovementioned analysis and based on the facts that our Group is currently participating in a restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, our Controlling Shareholders, are both PRC investors as defined under the Draft New Law, subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, our PRC Legal Advisors take the view, and our Directors have concurred, that provided that the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will have a better chance to be permitted to continue as compared with other existing VIE structures which are engaged in businesses under “prohibited foreign-entry areas” and/or are not ultimately controlled by PRC investors, and the risk that our Group will be prohibited from retaining its Contractual Arrangement or the PRC Contractual Entities are prohibited from continuing their business operations is relatively low.

There is no definitive timeline for the New Foreign Investment Law to come into effect. As a national-level law, it should be at least reviewed and approved by the State Council after consideration of advice from other relevant authorities and the Standing Committee of the National People’s Congress for its final adoption. The Foreign Investment Law is not a priority according to the current legislative plan of the National People’s Congress and 2014 Legislative Plan of the State Council.

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Since a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, the Directors are given no reasonably sufficient evidence to believe that the New Foreign Investment Law will be adopted immediately and/or the New Foreign Investment Law will be in the same content or form with the Draft New Law and the Notes.

We will keep a close eye on the development of legislation and engage external legal advisors who will advise on the effect and on the possible solutions to ensure that timely reaction and necessary adjustment is made in accordance with the New Foreign Investment Law, and the relevant rules and regulations taking effect in the future. If the future implementation of the New Foreign Investment Law would materially and adversely affect the operation of our Group as a whole (e.g. imposing difficult restrictions on the operation of our business or even forbidding us to carry on our business with the Contractual Arrangement), we will take all necessary measures in accordance with the relevant requirements under the new Foreign Investment Law to sustain our business. In the event that any one of the three proposed ways to deal with the existing VIE structure is written into the law, the Company will strictly follow the required procedures and requirement from the authorities. The Directors believe that as long as the Company complies with the legal conditions and requirements, the development of legislation on foreign investment will not have a material adverse effect on the continuous operation and business prospects of the Company. However, we cannot rule out the possibility that there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have a material adverse impact on our Group at the time when they become effective. For the associated risks in relation to the Contractual Arrangement including the Draft New Law, please refer to the section headed “Risk Factors — Risks Related to our Contractual Arrangement” in this prospectus.

We will unwind the Contractual Arrangement as soon as the relevant PRC laws and regulations including without limitation the New Foreign Investment Law and relevant industry policies and regulations and practice of industry competent authorities allow the Principal Business to be conducted and operated by owned subsidiaries of our Company without VIE Structure in place.

Impact on our Group

The consultation stage for public comment of the Draft New Law ended in February 2015. Before formal promulgation and implementation, the following legislative stages have to be undergone: (i) the State Council submits the Draft New Law to the Standing Committee of the National People’s Congress after discussion and amendments by various departments of the State Council; (ii) the Standing Committee of the National People’s Congress may publish draft legislation for public consultation and put forward the draft legislation for approval after review in usually three rounds of meetings of the Standing Committee of the National People’s Congress; and (iii) the Standing Committee of the National People’s Congress approves the draft legislation by resolution and the Chairman of the PRC signs the same for formal adoption.

Furthermore, based on our PRC Legal Advisers’ interviews with 南京市投資促進委員會 (Nanjing Municipal Investment Promotion Commission), being the foreign investment department responsible for Nanjing Xibai, and 江蘇省商務廳 (Department of Commerce of Jiangsu Province), being the supervising department of Nanjing Investment Promotion Committee, both authorities

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expressed that the Draft New Law was still at the consultation stage for public comment at the time of the interviews and has not come into effect. They expected that the Draft New Law will not be formally promulgated and implemented in the near future, and prior to the formal promulgation, the Draft New Law will not have any adverse impact on the Contractual Arrangement.

According to current contents of the Draft New Law and the Notes:

- (i) foreign investor which participates in restricted industry category under the Guidance of Foreign Investment Industries (外商投資產業指導目錄) and is ultimately controlled by PRC investors, can apply for being defined as a domestic investment by PRC investors; and
- (ii) with respect to investment arrangement through VIE structure before the Draft New Law taking effect, if the relevant investment still falls within restricted or prohibited industry category for foreign investment, as mentioned above, it will be subject to (a) reporting, (b) verification or (c) approval requirement.

Our PRC Legal Advisers confirmed that they have reviewed the relevant disclosure of the Draft New Law in this prospectus. Considering the abovementioned basis and based on the facts that our Group is currently participated in restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, our Controlling Shareholders, are PRC investors as defined under the Draft New Law subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, our PRC Legal Advisers advise that, provided that the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will have a better chance to be permitted to continue as compared with other existing VIE structures which are engaged in businesses under “prohibited foreign-entry areas” and/or are not ultimately controlled by PRC investors, and the risk that our Group will be prohibited from retaining its Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations is relatively low. On these premises, and subject to other amendments before its formal promulgation and implementation, the Draft New Law will not have any material adverse impact on the Contractual Arrangement and the control over the PRC Contractual Entities by our Group.

However, our PRC Legal Advisers cannot exclude the possibility that MOFCOM may have contrary or different interpretation of the Draft New Law and the Notes, and there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have a material adverse impact on our Group at the time when the New Foreign Investment Law becomes effective.

As advised by our PRC Legal Advisers, although the Draft New Law and the Notes proposed three possible ways to deal with the existing VIE structures, apart from the Foreign Investment Law, foreign investment is still regulated and limited by industry policies and other regulations, and therefore even if the Draft New Law and the Notes are to be adopted in their current forms and contents, if there is any restriction in place due to relevant industry policies and regulations or in the practice of other industry competent authorities, our Group is still unable to directly hold the interests of the PRC Contractual Entities, and the Contractual Arrangement is still necessary.

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If the Contractual Arrangement is not allowed to continue in accordance with the New Foreign Investment Law to be formally promulgated and implemented in the future, (1) in the event that by that time our business no longer belongs to then effective restricted or prohibited category, and not subject to other restriction by the relevant industry regulations and in the practice of other industry competent authorities, we will directly hold the interest of the PRC Contractual Entities and continue with their business operations; and (2) in the event that by that time our business still belongs to then effective restricted or prohibited category, the Draft New Law and the Notes is not clear as to how such situation is to be dealt with.

In the event that Ms. Li Juan and Mr. Cheng Li cease to be (i) PRC investors; and/or (ii) the ultimate control persons of our Group under the definition of the Draft New Law, if the New Foreign Investment Law takes the form and content of the Draft New Law, there will be higher uncertainty as to whether the Contractual Arrangement will be permitted to continue, and there is a higher risk that our Group will be prohibited from sustaining the Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations. Furthermore, in such circumstances, if our business still belongs to the restricted or prohibited category under the New Foreign Investment Law, or there is then any restriction in place due to relevant industry policies and regulations or in the practice of other industry competent authorities, in the worst case scenario, we may be forced to dispose of our Principal Business to comply with the relevant regulatory requirements.

Ms. Li Juan and Mr. Cheng Li 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 Arrangement, each of them will use his/her best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangement and/or to enable the continuation of business operations of the PRC Contractual Entities as a result of any impact due to the promulgation and implementation of the New Foreign Investment Law and other future laws and regulations, including without limitation:

- (i) he/she will not dispose any of his/her interests in our Company (including without limitation procure our Company not to issue and allot any Shares) such that they together would hold (or their aggregate shareholdings be diluted to) less than 51% of the issued share capital of our Company or would otherwise cease to control our Company for the purposes of the New Foreign Investment Law; and
- (ii) he/she will maintain his/her PRC nationality so as to be qualified as a “PRC investor” as defined under the Draft New Law,

save that they may transfer their interests in our Company to “PRC investor(s)” (the “**Transferee(s)**”) who alone or together as parties acting in concert (where applicable) will be “ultimate control persons” as defined under the Draft New Law and hold not less than 51% of the then issued share capital of our Company, and against the Transferee(s) giving an undertaking to our Company with similar effect to the Undertaking. Prior to such transfer(s), Ms. Li Juan and Mr. Cheng Li shall

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demonstrate to the satisfaction of our Company and the Stock Exchange that PRC investor(s) will be the ultimate control persons of our Company as defined under the Draft New Law.

The Undertaking is solely for the purpose of the New Foreign investment Law when the said law becomes effective and the Undertaking will only be terminated if it is not required to comply with the New Foreign Investment Law and Ms. Li Juan and Mr. Cheng Li have demonstrated to the satisfaction of our Company and the Stock Exchange that our Company is no longer required to comply with the New Foreign Investment Law.

As Ms. Li Juan and Mr. Cheng Li can only transfer their interests in our Company to PRC investors and any subsequent transferees of Mr. Cheng Li and Ms. Li Juan (as well as their respective transferees) will be required to give an undertaking to our Company with similar effect to the Undertaking, it will ensure that not less than 51% of the issued share capital of our Company will at all times be held by PRC investors. Furthermore, as mentioned in the paragraph headed “Draft new Foreign Investment Law” above, based on the definition of the term “control”, although holding more than 50% of the equity or other forms of interests is not the only circumstance where a person will be deemed as the ultimate control person, it will significantly reduce the uncertainty when carrying out the “control” test under the Draft New Law.

Furthermore, the following control arrangements will be in place to further ensure the compliance of the Undertaking after Listing:

- (i) the Shares held by the ultimate control persons who are PRC investors which shall account for not less than 51% of the issued share capital of our Company, namely, the Shares held by Ms. Li Juan (through Loyal Alliance and Prime Wish) and Mr. Cheng Li (through Victory Glory) upon Listing and the Shares held by the subsequent Transferee(s) will not be deposited into CCASS but will be held in the form of physical certificates; and
- (ii) we have instructed our Hong Kong Share Registrar, Tricor Investor Services Limited (“**Tricor**”), not to register any subscription, purchase and transfer of Shares unless and until our Company is satisfied that the same will not result in any breach of the Undertaking.

We consider that with the assistance of Tricor, it is unlikely that the Undertaking will be breached resulting in the shareholding ultimately controlled by PRC investors to fall below 51%. If for whatever reason that the Undertaking is breached, our Company as well as other interested parties such as public shareholders through our Company can claim against the defaulting entities for remedies including without limitation injunctive actions for rescission of the transfers in breach of the Undertaking to the extent available. We are therefore of the view that the Undertaking together with the abovementioned arrangements are sufficient to ensure that the ultimate control by PRC investors is maintained. However, there is a risk that the Company’s public shareholders may not be able to successfully claim against the defaulting parties for breach of the Undertaking. Please refer to the section headed “Risk Factor — The shareholders of our PRC Contractual Entities may have conflicts of interest with us, which may materially and adversely affect our business.” in this prospectus.

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Our PRC Legal Advisers are of the view that if the New Foreign Investment Law finally takes the form and content of the Draft New Law and the Notes, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such form and content, the Contractual Arrangement will have a better chance to be permitted to continue as compared with other existing VIE structures which are engaged in businesses under “prohibited foreign-entry areas” and/or are not ultimately controlled by PRC investors, and the risk that our Group will be prohibited from sustaining its Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations is relatively low.

Taking into account the facts that the consultation stage for public comment of the Draft New Law ended in February 2015 and a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, and the analysis of our PRC Legal Advisers with regard to the Draft New Law and the Notes as mentioned above, as well as the Undertaking given by Ms. Li Juan and Mr. Cheng Li as well as the abovementioned arrangements, we consider, which the Sole Sponsor concurs, that (i) the ultimate control persons of the PRC Contractual Entities are likely to be deemed to be solely PRC investors under the Draft New Law and the VIE structure will likely be regarded as a domestic investment by MOFCOM; (ii) the VIE structure of the Contractual Arrangement will be permitted to continue; (iii) our Group can maintain control over and receive all economic benefits derived from the PRC Contractual Entities; and (iv) and the Draft New Law will have minimal impact on the Contractual Arrangement and the control over the PRC Contractual Entities by our Group and the operations of our Group as a whole.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Placing, Loyal Alliance and Prime Wish will together legally and beneficially own an aggregate of approximately 39% of the issued share capital of our Company (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme). Each of Loyal Alliance and Prime Wish is wholly-owned by Ms. Li Juan, our chairperson and a non-executive Director. Mr. Wu Haiming, a non-executive Director and the spouse of Ms. Li Juan, is deemed to be interested in the interests of Ms. Li Juan. Immediately after completion of the Capitalization Issue and the Placing, Victory Glory will legally and beneficially own approximately 12% of the issued share capital of our Company (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme). Victory Glory is wholly-owned by Mr. Cheng Li, our chief executive officer and an executive Director.

Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 14 July 2011 pursuant to which they agreed to act unanimously towards the governing of Jiangsu Xi'an and Nanjing Xinchuang. Pursuant to a supplemental agreement dated 14 February 2015, the original concert party agreement will automatically terminate upon Listing. At the material time, Ms. Li Juan and Mr. Cheng Li desired to have more flexibility in dealing with their respective investments after the Listing. Based on such commercial decision, they had decided to terminate the concert party arrangement among themselves upon Listing. Nevertheless, in order to ensure the continuity and stability of the operations of, and to maintain and enhance the control over, our Company for the purpose of satisfying the Draft New Law, Ms. Li Juan and Mr. Cheng Li subsequently entered into another concert party agreement dated 19 June 2015, pursuant to which, with effect from the Listing, they agreed to act unanimously towards the exercise of their respective voting powers at general meetings of our Company.

Accordingly, Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance, Prime Wish and Victory Glory are taken as our Controlling Shareholders.

Apart from our business relating to operation of online platform focusing on the CBM market, Ms. Li Juan, through Jiangsu Xi'an, is currently operating a principal business of operation of platform for distribution of Internet games which target at online gaming market as well as the provision of subcontracting and technical support services to other online game developers and platform operators ("**Excluded Business**") and such Excluded Business will not form part of our Group after Listing due to their difference in business nature and target consumers. For further details of Jiangsu Xi'an, please refer to "Information of Jiangsu Xi'an" below.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INFORMATION OF JIANGSU XI'AN

Jiangsu Xi'an is principally engaged in the operation of platform for distribution of Internet games which target at online gaming market as well as the provision of subcontracting and technical support services to other online game developers and platform operators. The online games distributed by Jiangsu Xi'an are mainly third-party developed games comprising various natures genres including action games, role-playing games and turn-based games targeting grown-up players, and are not related to the CBM market. Based on the accounts of Jiangsu Xi'an as audited by PRC certified public accountants, Jiangsu Xi'an recorded accumulated profits from its ordinary course of business during the Track Record Period. Jiangsu Xi'an had also previously offered certain offline education service in the form of an early education centre (the “**education business**”). Since Jiangsu Xi'an does not form part of our Group, our Group did not record any revenue or expenses relating to the education business during the Track Record Period. The education business had recorded an aggregate net loss of RMB1.6 million and an aggregate operating cash outflow of RMB1.1 million for the two years ended 31 December 2014. Since the education business is not our core business focus, it was not included in our Group for the purpose of Reorganisation and had been disposed of and transferred to an Independent Third Party in February 2015.

Jiangsu Xi'an was established as a limited liability company in the PRC on 4 July 2011 with an initial registered capital of RMB10,000,000. Upon its establishment, it was held as to 85% by Ms. Li Juan and 15% by Mr. Cheng Li. In March 2012, Ms. Li Juan transferred approximately 6.67% and 5% of the equity interest of Jiangsu Xi'an to Mr. Cheng Ke and Mr. Cheng Li. After the transfer, Jiangsu Xi'an was held as to 73.33% by Ms. Li Juan, 20% by Mr. Cheng Li and 6.67% by Mr. Cheng Ke. Mr. Cheng Ke is the representative of employees of Jiangsu Xi'an and an Independent Third Party. The transfer of the relevant equity interests in Jiangsu Xi'an from Ms. Li Juan to Mr. Cheng Ke was based on the understanding that these equity interests in Jiangsu Xi'an will be applied for the purpose of implementation of future share incentive schemes for eligible employees of Jiangsu Xi'an and its subsidiaries.

In June 2012, Jiangsu Xi'an increased its registered capital to RMB13,333,333 and Tianjin Chengbai invested in Jiangsu Xi'an by contributing to the increase in its registered capital. After the capital increase, Jiangsu Xi'an was held as to 50% by Ms. Li Juan, 25% by Tianjin Chengbai, 15% by Mr. Cheng Li and 5% by Mr. Cheng Ke. In December 2014, as part of the Reorganization, Tianjin Chengbai disposed of its 25% equity interest in Jiangsu Xi'an to Nanjing Zhongchengma, and Jiangsu Xi'an disposed of our PRC Contractual Entities, namely Nanjing Xihui and Nanjing Xinchuang, to Ms. Li Juan and Mr. Cheng Li.

DELINEATION OF BUSINESS

Operations of our Group are independent and separate from the Excluded Business operated by Jiangsu Xi'an. Our Directors are of the view that there is a clear delineation between the Excluded Business and our business. The Excluded Business was not injected into our Group as our Directors are of the view that such business neither form part of our core business nor are in line with our strategy to strengthen our market position in online CBM industry in the PRC.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Group is an operator of online platform focusing on the CBM market targeting infants and kids aged between 0 to 12, and their parents (expectant mothers), whereas the Excluded Business comprises principally the operation of platform for distribution of Internet games which are targeting online gaming market as well as the provision of subcontracting and technical support services to other online game developers and platform operators. The online games distributed by Jiangsu Xi'an are mainly third-party developed games comprising various natures genres including action games, role-playing games and turn-based games targeting grown-up players, and are not related to the CBM market. Given the different nature and target customers of our business and the Excluded Business, our Directors do not expect there to be any overlap or competition of the Excluded Businesses and our Group's business after the Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Directors believe that our Group is capable of carrying on its business independently from the Controlling Shareholders and/or their respective close associates after the Listing, having taken into consideration the following factors:

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team which is led by a team of senior management with experience and expertise in our business to implement our policies and strategies.

The Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. For a summary of the positions held by the Directors in our Company and its subsidiaries as of the Latest Practicable Date, please refer to the section headed "Directors and Senior Management" in this prospectus.

Except for Ms. Li Juan, who is also the sole director of Jiangsu Xi'an, none of our Directors hold(s) any directorships or positions in the Excluded Business. Each of the Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. The provisions of the Articles also ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice.

Our Company has also appointed three independent non-executive Directors to ensure that there is a strong independent element on the Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experience in their respective fields of expertise and the Directors believe that the Board will benefit from their independent advice.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In light of the above, the Directors are satisfied that they are able to perform their roles in our Company independently, and the Directors are of the view that our Company is capable of managing its business independently from the Controlling Shareholders after the Listing.

Operational independence

Our Group has established its own organizational structure comprising individual departments, each with specific areas of responsibilities. Save as set out in this prospectus, no services, premises and facilities will be provided by the Controlling Shareholders and/or their respective associates to our Group. Our Group is able to operate independently from the Controlling Shareholders after the Listing.

Financial independence

Our Group has an independent financial system and relies principally on cash from its own operations to carry on its business and bank facilities during the Track Record Period. This is expected to continue after the Listing. Also, all of our Group's outstanding balances with Controlling Shareholders will be settled before Listing.

Having considered the above factors, the Directors consider that there is no financial dependence on the Controlling Shareholders.

Therefore, in view of the above fact, our Group is considered independent in all material aspects including finance, management and operations of the Controlling Shareholders.

UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares to our Company, the Sole Sponsor and the Underwriters, details of which are set out under the paragraph headed "Undertakings" in the section headed "Underwriting" in this prospectus.

NON-COMPETITION UNDERTAKINGS

For the purpose of the Listing, our Controlling Shareholders have entered into the Deed of Non-Competition with our Company, pursuant to which each of the Controlling Shareholders has unconditionally and irrevocably undertaken to our Company (for itself and for the benefits of members of our Group) that it/she would not, and would procure that its/her close associates (other than any members of our Group) would not, directly or indirectly, either on its/her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of our Group from time to time ("**Restricted Activity**").

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Company that in the event that it/she or its/her close associate(s) is given/identifies any opportunities which directly or indirectly competes, or may lead to competition with the Restricted Activity, it/she will and will procure it/her close associate(s) to, as soon as practicable inform our Group of such opportunity in writing, provide such information as is available to it/him/her in respect of such opportunity to our Group, refer such opportunity to our Group, and use all reasonable endeavours to procure the person who communicated the opportunity to the Controlling Shareholders or their respective close associates to contact our Group directly regarding the opportunity upon becoming aware of it.

Each of our Controlling Shareholders has represented and warranted that, as of the date of the Deed of Non-Competition, neither it/she nor any of its/her close associates was interested, involved or engaged, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Activity otherwise than through our Group or was otherwise engaged in any business which is in competition or potential competition to those of our Group.

Each of the Controlling Shareholders has also undertaken to our Company the following:

- (a) to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors of its/his/her compliance with the terms of the Deed of Non-Competition and the enforcement of the Deed of Non-Competition;
- (b) to procure our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of its/his/her noncompetition undertakings under the Deed of Non-Competition either through our annual report, or by way of announcements to the public; and
- (c) to make an annual declaration on compliance with her/its undertaking under the Deed of Non-Competition in the annual reports of our Company as the independent non-executive Directors think fit and ensure that the disclosure of details of its/her compliance with and the enforcement of the non-competition undertakings under the Deed of Non-Competition is consistent with the relevant requirements under the GEM Listing Rules.

The Deed of Non-Competition does not apply to:

- (a) the holding of or interests in the shares of any member of our Group; or
- (b) the holding of or interests in shares or other securities in any company other than our Group which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognized stock exchange and either:
 - (i) the relevant Restricted Activity (and assets relating thereto) accounts for less than 5% of that relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) the total number of the shares held by our Controlling Shareholders and/or their respective close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that our Controlling Shareholders and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company or otherwise participate in or be involved in the management of that company and that at all times there should exist at least another shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and/or their respective close associates together hold.

The obligation of our Controlling Shareholders under the Deed of Non-Competition will cease to have any effect whatsoever on:

- (a) the date on which our Shares cease to be listed on the Stock Exchange; or
- (b) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or its/his/her close associates, collectively and individually, ceases to hold an equity interest in our Company; or
- (c) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or its/he/her close associates, jointly and severally, ceases to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company,

whichever occurs first.

CORPORATE GOVERNANCE MEASURES

Our Company will further adopt the following measures to manage the conflict of interest arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) in preparation for the Listing, our Company has amended our Articles to comply with the GEM Listing Rules. In particular, our Articles provide that, except for certain exceptions permitted under the GEM Listing Rules or the Stock Exchange, a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting;
- (ii) we have appointed China Everbright Capital Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the GEM Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;
- (iii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors of its/his/her compliance with the terms of the Deed of Non-Competition and the enforcement of the Deed of Non-Competition;
- (v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through our annual report, or by way of announcements to the public;
- (vi) each of our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-Competition in the annual reports of our Company;
- (vii) the management structure of our Group includes an audit committee, a remuneration committee, and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and
- (viii) pursuant to the Corporate Governance Code in Appendix 15 of the GEM Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Directors consider that the above corporate governance measure are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

CONNECTED TRANSACTIONS

Upon the Listing, the following transactions will constitute continuing connected transactions of our Company under the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction has been carried out by our Group and the connected persons of our Company during the Track Record Period and, is expected to continue after the Listing, which will constitute continuing connected transaction and will not be exempted from reporting, announcement and/or independent shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules upon the Listing:

Contractual Arrangement

As disclosed in the section headed "Contractual Arrangement" in this prospectus, the business operations of the PRC Contractual Entities constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in the PRC Contractual Entities. As a result, our Group has entered into a series of agreements narrowly tailored to provide our Group with control over the PRC Contractual Entities and grant our Group the right to acquire the equity interests of the PRC Contractual Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangement, our Group supervises and controls the business operations of the PRC Contractual Entities and derives economic benefit from the PRC Contractual Entities.

The Contractual Arrangement consists of five agreements: (a) business cooperation agreement (業務合作協議); (b) exclusive technology service and management consultation agreement (獨家技術服務及管理諮詢協議); (c) exclusive option agreement (獨家購買權協議); (d) shareholders' rights entrustment agreement (股東權利委託協議); and (e) equity interest pledge agreement (股權質押協議). Please refer to the section headed "Contractual Arrangement" of this prospectus for further details. Our PRC Legal Advisers has advised that each of the Structured Contracts is legal, valid and binding on the parties and is enforceable under applicable PRC laws and regulations.

Relevant Connected Persons under the Contractual Arrangement

The table below sets forth the connected persons of our Company involved in the Contractual Arrangement and the nature of their connection with our Group:

Name	Connected relationship
Ms. Li Juan	Ms. Li Juan is our Controlling Shareholder and a non-executive Director and our chairperson and is therefore our connected person pursuant to Rule 20.07 of the GEM Listing Rules.
Mr. Cheng Li	Mr. Cheng Li is our Controlling Shareholder and an executive Director and our chief executive officer and is therefore our connected person pursuant to Rule 20.07 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Name	Connected relationship
PRC Contractual Entities	Each of the PRC Contractual Entities is held as to 85% by Ms. Li Juan and is therefore an associate of Ms. Li Juan and our connected person, among other factors, pursuant to Rule 20.11(3) of the GEM Listing Rules.

The view of our Directors on the Non-exempt Continuing Connected Transaction

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangement is fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangement is on normal commercial terms in the ordinary and usual course of our Group's business, are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Our Directors also believe that our Group's structure whereby the financial results of the PRC Contractual Entities are consolidated into our Group's financial results as if they were our Group's wholly-owned subsidiaries, and all the economic benefits of their business flow to our Group, places our Group in a special position in relation to the connected transaction. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangement technically constitute continuing connected transaction for the purposes of Chapter 20 of the GEM Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if the continuing connected transaction under the Contractual Arrangement is subject to strict compliance with the requirements set out under Chapter 20 of the GEM Listing Rules, including, among other things, the requirement for publishing an announcement and obtaining approval of the independent Shareholders.

In addition, given that the Contractual Arrangement was entered into prior to the Listing and the adoption of Contractual Arrangement and the key terms thereof have been disclosed in this prospectus, potential investors of our Company will participate in the Placing based on such disclosure. Our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof immediately after Listing would be unduly burdensome and impracticable and add unnecessary administrative costs to our Company.

Furthermore, to ensure sound and effective operation of our Group after the adoption of the Contractual Arrangement, the management of our Group plans to take the following measures:

- (a) as part of the internal control measures, any major issues arising from the implementation and performance of the Contractual Arrangement will be reviewed by the Board on a regular basis which will be no less frequent than on a quarterly basis. Our Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will need to be retained to assist our Group to deal with specific issues arising from the Contractual Arrangement;

CONNECTED TRANSACTIONS

- (b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) will be discussed at such regular meetings or extraordinary meetings of the Board which will be no less frequent than on a quarterly basis;
- (c) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangement and other related matters;
- (d) our Company shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangement; and
- (e) legal advisers and/or other professionals will be retained to assist our Company to deal with specific issues arising from the Contractual Arrangement, if required.

Waiver Application

Pursuant to Rule 20.103 of the GEM Listing Rules, our Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of the transactions under the Contractual Arrangement; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to our Group under the Contractual Arrangement; and (iii) the requirement of limiting the term of the Contractual Arrangement to three years or less, for so long as the Shares are listed on the Stock Exchange, subject to the following conditions:

- (a) *No change without independent non-executive Directors' approval:* Except as described below, no changes to the terms of the Contractual Arrangement will be made without the approval of the independent non-executive Directors.
- (b) *No change without independent Shareholders' approval:* Except as described below, no changes to the terms of the Contractual Arrangement will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 20 of the GEM Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangement 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 Arrangement shall continue to enable our Group to receive the economic benefits derived by the PRC Contractual Entities through: (i) our Group's right (if and when so allowed under applicable PRC laws) to acquire, all or part of the entire equity interests in the PRC Contractual Entities at the lowest price permissible under PRC laws; (ii) the business structure under which the revenue generated by the PRC Contractual Entities is substantially retained by our Group; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Contractual Entities.

CONNECTED TRANSACTIONS

- (d) *Renewal and reproduction:* The framework of the Contractual Arrangement 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 that our Group may wish to establish, without obtaining the approval of Shareholders, on substantially the same terms and conditions as the Contractual Arrangement as described under the section headed “Contractual Arrangement” in this prospectus. The directors, chief executive or substantial shareholders (as defined in the GEM Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company that our Group may establish upon renewal and/or reproduction of the Contractual Arrangement will be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangement shall comply with Chapter 20 of the GEM Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.
- (e) *Ongoing reporting and approvals:* Our Group will disclose details relating to the Contractual Arrangement on an ongoing basis as follows:
- (i) Details of the Contractual Arrangement will be disclosed in our Group’s annual reports and accounts in accordance with the relevant provisions of the GEM Listing Rules.
 - (ii) Our independent non-executive Directors will review the Contractual Arrangement annually and confirm in our Group’s annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangement so that the revenue generated by the PRC Contractual Entities have been mainly retained by our Group; (ii) no dividends or other distributions have been made by the PRC Contractual Entities 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 the PRC Contractual Entities 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.
 - (iii) Our Company’s auditors will carry out procedures annually on the transactions under the Contractual Arrangement in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants and will provide a letter to our Directors with a copy to the Stock Exchange, at least ten Business Days before the bulk-printing of the annual report of our Group, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangement and that no dividends or other distributions has been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

CONNECTED TRANSACTIONS

- (iv) For the purposes of Chapter 20 of the GEM Listing Rules, the PRC Contractual Entities will be treated as our Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders and their respective associates (as defined in the GEM Listing Rules) will be treated as connected persons of our Company and transactions between these connected persons and our Group, other than those under the Contractual Arrangement, will be subject to requirements under Chapter 20 of the GEM Listing Rules.
- (v) The PRC Contractual Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the PRC Contractual Entities will provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of procedures to be carried out by our Company's auditors on the connected transactions.

Confirmation from our Directors

Our Directors, including the independent non-executive Directors, consider that the continuing connected transactions as disclosed in the section headed "Contractual Arrangement" in this prospectus have been entered into: (i) in the ordinary and usual course of the business of our Group; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the Contractual Arrangement is fundamental to our Group's legal structure and business operations. With respect to the term of the Contractual Arrangement being of a duration longer than three years, the Sole Sponsor is of the view that it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the PRC Contractual Entities can be effectively controlled by Nanjing Xibai, (ii) Nanjing Xibai can obtain the economic benefits derived from the PRC Contractual Entities, and (iii) possible leakages of assets and values of the PRC Contractual Entities can be prevented. Further, the Sole Sponsor is of the view that the non-exempt continuing connected transactions described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position	Roles and Responsibilities	Date of Joining Our Group	Date of Appointment as Director	Relationship with other Directors and senior management
Cheng Li (程力)	31	Executive Director and Chief Executive Officer	Member of the remuneration committee; Responsible for management of the day-to-day operations of our Group	April 2005	11 February 2015	None
Hu Qingyang (胡慶楊)	38	Executive Director	Responsible for management of the day-to-day operations of our Group	April 2008	11 February 2015	None
Zhang Lake Mozi	28	Executive Director and chief financial officer	Responsible for management of finance and investors' relationship of our Group	February 2015	11 February 2015	None
Li Juan (李娟)	36	Non-executive Director and Chairperson	Chairperson of the nomination committee and member of the audit committee; Responsible for supervising the overall management and strategic planning of our Group	April 2005	13 October 2014	Spouse of Mr. Wu Haiming
Wu Haiming (吳海明)	47	Non-executive Director	Responsible for formulating and directing overall operations and development strategy of our Group	April 2005	11 February 2015	Spouse of Ms. Li Juan
Hsieh Kun Tse (謝坤澤)	50	Non-executive Director	Responsible for supervising the overall management and strategic planning of our Group	February 2015	11 February 2015	None
Wu Chak Man (胡澤民)	42	Independent non-executive Director	Chairperson of the audit committee; Responsible for supervising and providing independent judgement to the Board	June 2015	19 June 2015	None
Zhao Zhen (趙臻)	46	Independent non-executive Director	Member of the remuneration committee and the nomination committee; Responsible for supervising and providing independent judgement to the Board	June 2015	19 June 2015	None
Ge Ning (葛寧)	56	Independent non-executive Director	Chairman of the remuneration committee and member of the audit committee and the nomination committee; Responsible for supervising and providing independent judgement to the Board	June 2015	19 June 2015	None

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Name	Age	Position	Roles and Responsibilities	Date of Joining Our Group
Zhang Hua (張華)	31	Technology director	Responsible for planning strategic development and management of the development department	June 2006
Jiang Nan (江南)	32	Technology director	Responsible for setting direction for the technology development, strategic planning and management of the technology department	July 2007
Shen Tonghui (沈彤輝)	32	Product director	Responsible for planning the development direction and operation of the business department	September 2007
Qin Chuan (秦川)	31	Technology director	Responsible for setting direction for the technology development and product planning of the research and development department	August 2007
Wei Honghong (韋紅紅)	29	Sales director	Responsible for the overall planning and management of advertising sales and customer services	July 2007
Huang Chaozi (黃朝滋)	30	Product director	Responsible for planning the development direction and operation of the business department	October 2008

BOARD OF DIRECTORS

The Board currently consists of nine Directors comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and duties of the Board includes, but are not limited to, convening the general meetings, reporting on the performance of the Board at the general meeting, implementing the resolutions passed at the general meetings, formulating business plans and investment plans, preparing the annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital of our Company, as well as performing other authorities, functions and responsibilities in accordance with the Articles of Association.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheng Li (程力), aged 31, is an executive Director and our chief executive officer. Mr. Cheng was appointed as a Director on 11 February 2015. He is also a director of Nanjing Xihui, Nanjing Xinchuang and Nanjing Fuyuan, and a member of the remuneration committee. Mr. Cheng is responsible for management of the day-to-day operations of our Group. Mr. Cheng joined our Group as a graduate program engineer of Nanjing Xinchuang in April 2005. Mr. Cheng has more than 9 years of working experience in the information technology industry. During his employment with our Group in the past 9 years, Mr. Cheng was initially responsible for website development and maintenance and has been gradually promoted to the management level of our Group responsible for overseeing the general operation and management of our Group. Mr. Cheng obtained a bachelor degree in management majoring in e-commerce in June 2006 from Southeast University (東南大學) in the PRC.

Mr. Hu Qingyang (胡慶楊), aged 38, is an executive Director. Mr. Hu was appointed as a Director on 11 February 2015. Mr. Hu is responsible for management of the day-to-day operations of our Group. Mr. Hu has more than 10 years of working experience in relation to education services (including on-line education and education project management). From April 2004 to January 2008, Mr. Hu worked as the vice general manager of Jiangsu Wenxue Education Development Company Limited (江蘇問學教育發展有限公司) responsible for overseeing the planning and execution of education projects. Mr. Hu joined our Group in April 2008 as the vice president of Nanjing Xinchuang mainly responsible for developing our CBM educational information and products. Mr. Hu completed a long-distance learning course in economic administration (大專班經濟管理專業) issued by the Correspondence Institute of the Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in the PRC in June 2007. Mr. Hu was awarded the title of excellent association staff (優秀學會工作者) by Nanjing Association of Social Science (南京市社會科學界聯合會) in December 2004.

Mr. Zhang Lake Mozi, aged 28, is an executive Director and our chief financial officer. Mr. Zhang was appointed as a Director on 11 February 2015. Mr. Zhang is responsible for management of finance and investors' relationship of our Group. Mr. Zhang is currently a director of CHINA MA Investment Limited (香港中馬投資有限公司) which he co-founded in August 2012. From February 2011 to August 2012, Mr. Zhang worked as a marketing director in Beijing Xuyihe Culture Media Co., Ltd. (北京旭羿和文化傳媒有限公司). Mr. Zhang obtained a bachelor degree of arts majoring in economics and minoring in mathematics from the University of Alberta in Canada in June 2009.

Non-executive Directors

Ms. Li Juan (李娟), aged 36, is a non-executive Director, our chairperson and the founder of our Group. Ms. Li is the spouse of Mr. Wu Haiming, a non-executive Director. She is also a director of Shining World, Star Universal and Nanjing Xibai, and the chairperson of the nomination committee and a member of the audit committee. Ms. Li is responsible for supervising the overall management and strategic planning of our Group. Ms. Li was appointed as a Director on 13 October 2014. Ms. Li currently works as a project manager with China Hewlett-Packard Co., Ltd. (中國惠普有限公司), which she has joined since October 2006. Ms. Li obtained a bachelor degree of science majoring in computer science and technology from China University of Geoscience (中國地質大學) in June 2000.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Haiming (吳海明), aged 47, is a non-executive Director. Mr. Wu was appointed as a Director on 11 February 2015. Mr. Wu is the spouse of Ms. Li Juan, our chairperson and a non-executive Director. Mr. Wu is responsible for formulating and directing the overall operations and development strategy of our Group. Mr. Wu has been participating in the management of our Group since our first operating subsidiary, Nanjing Xinchuang, was established in April 2005. Mr. Wu had worked as an engineer and program manager of Lightwaves 2020, Inc. in Silicon Valley of the United States. Mr. Wu has more than 14 years of working experience in the information technology industry. Mr. Wu obtained a bachelor degree majoring in radio technology in July 1990, and a PhD degree in engineering majoring in physical electronics and optoelectronics in April 1997, both from Southeast University (東南大學) in the PRC respectively. From February 1997 to December 1998, Mr. Wu was a post-doctoral fellow and research student in the University of Yamanashi in Japan and from April 2000 to March 2001, Mr. Wu worked as a researcher in the Research Institute of Innovative Technology for the Earth (RITE) in Kyoto, Japan. Mr. Wu was appointed as the director of the key laboratory for the development and study of science and media technology of children in Suzhou (蘇州市兒童發展與學習科學媒體技術重點實驗室) by the Suzhou Research Institute of Southeast University (東南大學蘇州研究院) in December 2007.

Mr. Hsieh Kun Tse (謝坤澤), aged 50, is a non-executive Director. Mr. Hsieh was appointed as a Director on 11 February 2015. Mr. Hsieh is responsible for supervising the overall management and strategic planning of our Group. Mr. Hsieh is currently the general manager of Shanghai AMVC Investment Management Centre (上海早鳥投資管理中心(有限合伙)), which he co-founded in November 2013. Mr. Hsieh worked as the vice president of Sunchime Cartoon Group Company Limited (三辰卡通集團有限公司) from January 2003 to June 2006. Mr. Hsieh worked as the general manager of content and image business department of Guangdong Alpha Animation & Culture Co., Ltd. (廣東奧飛動漫文化股份有限公司) from January 2008 to August 2013. Mr. Hsieh has been appointed as a supervisor for master students and a visiting professor of school of animation and digital arts of the Community University of China (中國傳媒大學動畫與數字藝術學院) since May 2007. Mr. Hsieh obtained a bachelor degree in information engineering from Chung Yuan Christian University (中原大學) in Taiwan in January 1990. Mr. Hsieh obtained a master degree in commerce from the Research Institute for corporate management of Chinese Culture University (中國文化大學) in Taiwan in June 1992 and another master degree of business administration from National Taiwan University (國立臺灣大學) in June 2006.

Independent Non-executive Directors

Mr. Wu Chak Man (胡澤民), aged 42, is an independent non-executive Director. Mr. Wu was appointed as a Director on 19 June 2015. Mr. Wu is the chairperson of the audit committee. Mr. Wu has been appointed since 30 October 2014 and is currently a director of MFund GP. Ltd., which is involved in mobile internet investment in the PRC. Mr. Wu has been appointed since 16 June 2014 and is currently an independent non-executive director of Tian Ge Interactive Holdings Limited, a HK-listed company engaged in operating social video platforms in the PRC (stock code:1980). Mr. Wu worked as the chief executive officer of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaged in the development and operating of smartphone application distribution platforms from January 2011 to February 2014 and was responsible for the overall management and strategic planning of the company. Mr. Wu joined NetDragon group in 2004 and acted as the vice president and chief financial officer of NetDragon Websoft Inc. (“NetDragon”), a company

DIRECTORS AND SENIOR MANAGEMENT

whose shares were initially listed on the GEM in November 2007 and were subsequently listed on the main board of the Stock Exchange (stock code: 0777) in 2008. NetDragon is principally engaged in online games and mobile Internet business, and hence he has more than 6 years of financial management experience in public company. Mr. Wu retired from the position of vice president and chief financial officer of NetDragon in 2013. From 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beco Biological Research Inc. a company engaged in health food and nutrition supplements business. Mr. Wu graduated with a bachelor degree in economics from the University of California, Berkeley in the United States in August 1994, and a master degree in business administration from Duke University in the United States in May 2004.

Mr. Zhao Zhen (趙臻), aged 46, is an independent non-executive Director. Mr. Zhao was appointed as a Director on 19 June 2015. Mr. Zhao is a member of the remuneration committee and the nomination committee. Mr. Zhao worked as a Manager of System/Software Engineering in Hewlett-Packard from March 2004 to March 2008. Mr. Zhao obtained a bachelor degree majoring in aero-engine from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formally known as Nanjing Aeronautics College (南京航空學院)) in July 1990. He obtained a master degree of science in January 1996 and a master degree of science in October 1997 both from Rutgers, The State University of New Jersey in the United States.

Mr. Ge Ning (葛寧), aged 56, is an independent non-executive Director. Mr. Ge was appointed as a Director on 19 June 2015. Mr. Ge is the chairperson of the remuneration committee and a member of the audit committee and the nomination committee. Mr. Ge is a director of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (stock code: 002090), which is principally engaged in the design, development, manufacturing and operation of power grid business. Mr. Ge is also the chairman of Jiangsu Jinzhi Holding Co., Ltd., (江蘇金智集團有限公司), a shareholder of Wiscom System Co., Ltd. (江蘇金智科技股份有限公司). Mr. Ge graduated from Nanjing Science College (南京工學院) (now known as Southeast University (東南大學)) and completed a two-year course in electronic technology in January 1981. Mr. Ge completed an executive MBA programme and was awarded a master degree of business administration by China Europe International Business School (中歐國際工商學院) in November 2004.

Save as disclosed above, there are no other directorships held by our Directors in any listed company whose securities are listed on any stock exchange in Hong Kong or overseas within the three years immediately preceding the date of this prospectus.

Save as disclosed herein (and their respective interests or short positions (if any) as set out in the section headed “Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders” of Appendix IV), there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Mr. Zhang Hua (張華), aged 31, is one of our technology directors and is responsible for planning strategic development and management of the development department of our Group. Mr. Zhang joined our Group in June 2006. Mr. Zhang obtained a bachelor degree of science majoring in applied mathematics in Southeast University (東南大學), the PRC in June 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang Nan (江南), aged 32, is one of our technology directors and is responsible for setting direction for technology development, strategic planning and management of the technology department of our Group. Mr. Jiang joined our Group in July 2006. Mr. Jiang obtained a bachelor degree in science majoring in applied mathematics in Southeast University (東南大學) in July 2006.

Mr. Shen Tonghui (沈彤輝), aged 32, is the product director and is responsible for planning the development direction and operation of the business department of our Group. Mr. Shen joined our Group in September 2007. Prior to joining our Group, Mr. Shen worked as a project engineer in Nanjing Hanweb Co., Ltd (南京大漢網絡有限公司) from November 2005 to November 2006. From November 2006 to August 2007, Mr. Shen worked in Nanjing Skytech Co., Limited (南京擎天科技有限公司) and was responsible for testing work. Mr. Shen obtained a bachelor degree of arts majoring in artistic designing in the Institute of Adult Higher Education of Nanjing University of the Arts (南京藝術學院成人教育學院) in January 2011 and a master degree in engineering majoring in software engineering (digital media art) in Wuhan University (武漢大學) in June 2014.

Mr. Qin Chuan (秦川), aged 31, is one of our technology directors and is responsible for setting direction for technology development and product planning of the research and development department of our Group. Mr. Qin joined our Group in August 2007. Mr. Qin majored in e-commerce and graduated from Southeast University (東南大學) in June 2007.

Ms. Wei Honghong (韋紅紅), aged 29, is the sales director and is responsible for the overall planning and management of advertising sales and customer services of our Group. Ms. Wei joined our Group in July 2007. Ms. Wei obtained her bachelor degree in management majoring in information management and information system from Nanjing University (南京大學) in June 2007.

Mr. Huang Chaozi (黃朝滋), aged 30, is the product director and is responsible for planning the development direction and operation of the business department of our Group. Mr. Huang joined our Group in October 2008. Mr. Huang graduated from Nanjing Agricultural University (南京農業大學) (adult higher education 成人高等教育) majoring in information management and information system in January 2008.

Save as disclosed above, there are no other directorships held by our senior management in any listed company whose securities are listed on any stock exchanges in Hong Kong or overseas within the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. Ng Wing Shan (吳詠珊), aged 38, was appointed as the joint company secretary of our Company on 11 February 2015. Ms. Ng is an assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. She has over 10 years of professional experience in the company secretarial field. Ms. Ng is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Lake Mozi, was appointed as the joint company secretary of our Company on 11 February 2015. Mr. Zhang is also an executive Director and the chief financial officer. For further details of Mr. Zhang's biography, please refer to "Directors—Executive Directors" above.

COMPLIANCE OFFICER

Mr. Cheng Li, our executive Director, is the compliance officer of our Company.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 19 June 2015 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members who are Mr. Wu Chak Man, Ms. Li Juan and Mr. Ge Ning. Mr. Wu Chak Man is the chairperson of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 19 June 2015 with written terms of reference in compliance with paragraph B1.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members who are Mr. Ge Ning, Mr. Zhao Zhen and Mr. Cheng Li. Mr. Ge Ning is the chairperson of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 19 June 2015 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee consists of three members who are Ms. Li Juan, Mr. Ge Ning and Mr. Zhao Zhen. Ms. Li Juan is the chairperson of the nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operation of our Group. Our Board regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by making reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group. After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

The aggregate amounts of remuneration including salaries, contributions to pension schemes, allowances and benefits in kind which were paid or payable to our Directors for the years ended 31 December 2013 and 2014 was approximately RMB366,000 and RMB499,000 respectively. Under the arrangement currently in force, the aggregate remuneration (excluding discretionary bonus) of our Directors for the year ending 31 December 2015 is estimated to be approximately RMB277,000.

The aggregate amounts of remuneration including salaries, contributions to pension schemes, allowances and benefits in kind which were paid by our Group to our five highest paid individuals excluding our Directors for the years ended 31 December 2013 and 2014 was approximately RMB1,046,000 and RMB1,380,000 respectively.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 7 and 8 to our consolidated financial statements, included in the Accountants Report set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

We have adopted conditionally the Share Option Scheme. For details of the Share Option Scheme, please refer to the section entitled "Statutory and General Information — E. Share Option Scheme" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

Pursuant to Rule 6A.19 of the GEM Listing Rules, our Company has appointed China Everbright Capital Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 6A.23 of the GEM Listing Rules:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Placing 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 of this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 18.03 of the GEM Listing Rules on the distribution of our annual report in respect of the financial results of the second full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Placing and the Capitalization Issue (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options granted under the Share Option Scheme), the following persons will have or be deemed or taken to have beneficial interests and/or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our Group and therefore regarded as significant shareholders under the GEM Listing Rules:

(a) **Interests in Shares of our Company**

Name	Nature of interest	Number of Shares as at 16 February 2015 ⁽⁷⁾	Approximate percentage of interest in our Company as at 16 February 2015 ⁽⁷⁾	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Placing and the Capitalization Issue
Loyal Alliance ⁽²⁾	Beneficial owner	280 (L)	28.00%	174,000,000 (L)	17.40%
Prime Wish ⁽²⁾	Beneficial owner	270 (L)	27.00%	216,000,000 (L)	21.60%
Victory Glory ⁽³⁾	Beneficial owner	150 (L)	15.00%	120,000,000 (L)	12.00%
Properous Commitment ⁽⁴⁾	Beneficial owner	64.5 (L)	6.45%	51,600,000 (L)	5.16%
Winner Zone ⁽⁴⁾⁽⁵⁾	Trustee	130.5 (L)	13.05%	104,400,000 (L)	10.44%
Sharp Knight ⁽⁶⁾	Trustee	105 (L)	10.50%	84,000,000 (L)	8.40%
Ms. Li Juan ⁽²⁾	Interest in controlled corporation; Interest of concert party	550 (L)	55.00%	510,000,000 (L)	51.00%
Mr. Wu Haiming ⁽²⁾	Interest of spouse	550 (L)	55.00%	510,000,000 (L)	51.00%
Mr. Cheng Li ⁽³⁾	Interest in controlled corporation; Interest of concert party	150 (L)	15.00%	510,000,000 (L)	51.00%
Mr. Hsieh Kun Tse ⁽⁴⁾	Interest in controlled corporation	195 (L)	19.50%	156,000,000 (L)	15.60%

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Number of Shares as at 16 February 2015 ⁽⁷⁾	Approximate percentage of interest in our Company as at 16 February 2015 ⁽⁷⁾	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Placing and the Capitalization Issue
Ms. Wang Rong ⁽⁶⁾	Interest in controlled corporation; Interest of spouse	105 (L)	10.50%	84,000,000 (L)	8.40%
Mr. Zhang Lake Mozi ⁽⁶⁾	Interest in controlled corporation; Interest of spouse	105 (L)	10.50%	84,000,000 (L)	8.40%
Shanghai AMVC ⁽⁵⁾	Beneficiary	130.5 (L)	13.05%	104,400,000 (L)	10.44%
Beijing Zhongchengma ⁽⁶⁾	Beneficiary	105 (L)	10.50%	84,000,000 (L)	8.40%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all the Shares held by each of Loyal Alliance and Prime Wish. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.
- (3) Victory Glory is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the Shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.
- (4) Each of Properous Commitment and Winner Zone is directly and wholly owned by Mr. Hsieh Kun Tse, a non-executive Director, who is therefore deemed to be interested in all the Shares held by each of Properous Commitment and Winner Zone. The issued share capital of our Company held by Properous Commitment will be used for implementation of future share incentive schemes for eligible employees of our Group at the direction and pursuant to the instructions of the Board.
- (5) Winner Zone holds the Shares as trustee for and on behalf of Shanghai AMVC, the general partner of which is Shanghai AMVC Investment Management Center (A Limited Partnership) (上海早鳥投資管理中心(有限合夥)), which is in turn co-founded and controlled by Mr. Hsieh Kun Tse, a non-executive Director.
- (6) Sharp Knight holds the Shares as trustee for and on behalf of Beijing Zhongchengma, which is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi, an executive Director. Sharp Knight is directly and wholly owned by Mr. Zhang Lake Mozi, who is therefore deemed to be interested in all the Shares held by Sharp Knight. Mr. Zhang Lake Mozi and Ms. Wang Rong are therefore deemed to be interested in the interests of each other.
- (7) The date of filing of the application proof of the prospectus.

SUBSTANTIAL SHAREHOLDERS

(b) **Interests in Shares of other members of our Group**

Name of subsidiaries	Nature of shareholder(s)	Percentage of shareholding
Nanjing Xinchuang ⁽¹⁾	Ms. Li Juan	85%
	Mr. Cheng Li	15%
Nanjing Xihui ⁽¹⁾	Ms. Li Juan	85%
	Mr. Cheng Li	15%

Note:

- (1) Pursuant to the Contractual Arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of our Company.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares that may be issued under the Over-allotment Option or the exercise of any options granted under the Share Option Scheme), have beneficial interests or short positions in any of our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group and are therefore regarded as significant shareholders under the GEM Listing Rules. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Placing and upon Listing:

HK\$

Authorised share capital

10,000,000,000 Shares of par value HK\$0.01 each **100,000,000**

Shares issued and fully paid or credited as fully paid

Assuming that the Over-allotment Option is not exercised, the share capital of our Company immediately following the Placing and the Capitalisation Issue will be as follows:

HK\$

1,000	Shares in issue as at the date of this prospectus	10
200,000,000	Shares to be issued under the Placing	2,000,000
799,999,000	Shares to be issued under the Capitalization Issue	7,999,990

Total:

1,000,000,000 Shares **10,000,000**

Assuming that the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Placing and the Capitalisation Issue will be as follows:

HK\$

1,000	Shares in issue as at the date of this prospectus	10
200,000,000	Shares to be issued under the Placing	2,000,000
799,999,000	Shares to be issued under the Capitalization Issue	7,999,990
37,500,000	Shares to be issued upon exercise of the Over-allotment Option in full	375,000

Total:

1,037,500,000 Shares **10,375,000**

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Placing becomes unconditional and does not take into any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below.

RANKING

The Placing Shares are ordinary shares and will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned herein, and, in particular, will qualify 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.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the GEM Listing Rules).

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the sections headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Placing — Conditions of the Placing” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and upon Listing; and
- (b) the aggregate nominal amount of the share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

SHARE CAPITAL

This general mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or its Articles to hold its next annual general meeting; and
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "A. Further Information About The Company And Its Subsidiaries — 3. Written Resolutions of the Shareholders passed on 19 June 2015" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the Placing — Conditions of the Placing" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following completion of the Placing and upon Listing.

This general mandate only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "A. Further Information About The Company And Its Subsidiaries — 7. Repurchase of our own securities" in Appendix IV to this prospectus.

This general mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or the Articles to hold its next annual general meeting; and
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "A. Further Information About The Company And Its Subsidiaries — 3. Written Resolutions of the Shareholders passed on 19 June 2015" in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the terms of our Memorandum and Articles, our Company may from time to time by ordinary shareholders' resolution in accordance with the Cayman Companies Law (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 or agreed to be taken. In addition, our Company may reduce its share capital by shareholders' special resolution. For more details, please see the section headed "Summary of the Constitution of our Company and the Cayman Islands Company Law — Articles of Association — Alteration of capital" in Appendix III of this prospectus.

Pursuant to the terms of the Memorandum and the Articles and subject to the Cayman Companies Law, all or any of the special rights attached to the shares or any class of shares (unless otherwise provided for by the terms of issue of that class) may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class. For more details, please see "Summary of the Constitution of our Company and the Cayman Islands Company Law — Articles of Association — Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended 31 December 2013 and 2014, and notes thereto set forth in the Accountant's Report included as Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards (the "IFRSs"). Potential investors should read the whole accountants' report set forth in Appendix I to this prospectus, and not rely merely on the information contained in this section. The following discussion and analysis contains certain forward-looking statements which involves risks and uncertainties. Please see the sections headed "Risk Factors" and "Forward-looking Statements" for discussions of those risks and uncertainties.

OVERVIEW

We are an online platform focusing on the CBM market in China. Through our large and engaged user base of CBM consumers, we are mainly engaged in (i) provision of marketing and promotional service; (ii) e-commerce business; and (iii) licensing of smart-hardware devices (智能硬件產品). Since we only commenced our e-commerce business in September 2014 and the cooperation for the research and development of smart-hardware devices (智能硬件產品) in August 2014, almost all of our revenue during the Track Record Period was attributable to the provision of marketing and promotional service, which mainly comprises display of online advertisement on our Platform, couple with a series of promotional and technical support service and website redirecting, details of which are set out on "Business — Our Revenue Model — A. Our marketing and promotional service" in this prospectus. Through our Platform, including PC Web, Mobile Web, Mobile APPs and IPTV APPs, we deliver comprehensive, up-to-date and interactive CBM related information and content to our users. According to iResearch Report, in December 2013 and December 2014, our flagship platform, PC Web, had a MAU of 14.3 million and 30.7 million, respectively, and a DAU of 0.6 million and 1.3 million, respectively. For each of the two years ended 31 December 2013 and 2014, our PC Web had an average MAU of 16.9 million and 19.0 million, respectively, and an average DAU of 0.8 million and 0.9 million, respectively.

We have experienced significant growth in the Track Record Period. Our total revenue grew 35.5% from RMB39.4 million for the year ended 31 December 2013 to RMB53.4 million for the year ended 31 December 2014, while our net profit grew by 184.1% from RMB6.9 million to RMB19.6 million during the same period.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Basis of presentation

We are primarily engaged in operation of online platform focusing on the CBM market, which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Our Group historically conducted our operations in China through the PRC Contractual Entities.

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Certain Contractual Arrangements were effectuated among the PRC Contractual Entities, our WFOE, Nanjing Xibai and Relevant Shareholders, who are the legal shareholders of the PRC Contractual Entities and also the core founders of our Company. The Contractual Arrangements provide our Company with effective control over the PRC Contractual Entities through Nanjing Xibai.

In particular, Nanjing Xibai has undertaken to provide the PRC Contractual Entities with certain technical and management consulting services necessary for their operations. In return, our Group is entitled to substantially all of the operating profits and residual benefits generated by the PRC Contractual Entities through intercompany charges levied on these services rendered. Relevant Shareholders are also required to transfer their interests in the PRC Contractual Entities to our Group or our Group's designee upon a request made by our Group when permitted by the PRC laws for consideration, as permitted under the PRC laws. The ownership interests in the PRC Contractual Entities have also been pledged by Relevant Shareholders to our Group in respect of the continuing obligations of the PRC Contractual Entities. Accordingly, our Group has the rights to variable returns from its involvement with the PRC Contractual Entities and has the ability to affect those returns through its power over the PRC Contractual Entities.

As a result, our PRC Contractual Entities were accounted for as subsidiaries of our Company and the formation of the Structured Contracts for our PRC Contractual Entities was accounted for as business combinations between entities under common control by applying the pooling of interests method, where the assets and liabilities of our PRC Contractual Entities are reflected as their existing carrying values at the date of consolidation.

Basis of consolidation

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of our Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation. Our Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If our Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Our Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

FINANCIAL INFORMATION

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by several key factors, including the following.

The growth of CBM industry in China

Our business and results of operations rely significantly on the development of CBM industry, especially the demand for online advertising of CBM enterprises in China. In recent years, economic growth in China has contributed to a fast growth in household disposable income and a boost to consumer confidence. Higher household spending power, coupled with increased newborns and governmental incentives designed to encourage two children in a family and a growing CBM population, have contributed to the rapid development in CBM industry and created a large demand for online advertising of CBM products. We have benefited from the rapid growth of CBM industry in the past years. However, the prospects of China's CBM industry are subject to many uncertainties. Any change in the general economic conditions and governmental birth policies in the PRC, would slow the growth in CBM industry, which in turn affect adversely our business, financial conditions and results of operations.

Ability to expand active user base

Our business depends on our ability to expand our active user base, which in turn depends on our user reach and engagement. The majority of our Group's revenue is generated from advertising agencies who contract on behalf of their clients engaging in CBM industry in the promotion of their products and brands in the PRC market. Such advertising agencies usually choose online platform depending on active user base and reputation. In order to increase our user base, we initiated to develop substantive and specialized content, and we believe we have successfully accomplished over the Track Record Period. According to iResearch Report, in December 2013 and December 2014, our PC Web had a MAU of 14.3 million and 30.7 million, respectively, and a DAU of 0.6 million and 1.3 million, respectively. We anticipate that our ability to continue to attract a large and growing user base and maintain a high level of user engagement will affect our ability to attract advertisers to our websites.

Research and development costs

Research and development capabilities represent a core competency in Internet industry. As a result, our long-term growth prospects will depend on our ability to design and develop, or alternatively source externally, new applications and other new forms of advertising and broadcasting that respond to market demand. During the Track Record Period, substantially all of the software applications that run the features and services of our Platform were developed by our Group's in-house research and development team. We also selectively engaged third parties to provide certain software developing service, such as graphic art and music design. Our research and development costs were RMB19.5 million and RMB15.7 million, representing 49.6% and 29.4% of our total revenue for the

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years ended 31 December 2013 and 2014, respectively. As our Group intends to continue to invest significantly in research and development activities to strengthen our in-house research and development capabilities, we expect to incur additional research and development costs, which may adversely affect our result of operations in the short run.

Preferential tax treatment

In China, software development and related products have been strongly encouraged and supported by the Chinese government. Software enterprises in China are exempted from income tax for two years commencing from the first profitable year and thereafter entitled a 50% reduction for the next three years. For the criteria of being recognized as a software enterprise, please refer to the section headed “Regulatory overview — Laws and Regulations in relation to Tax — Enterprise Income Tax” in this prospectus. Nanjing Xihui was certificated as software enterprise in April 2014. As such, Nanjing Xihui is exempted from income tax for the years ended 31 December 2014 and 2015, and will be entitled to preferential income tax rate of 12.5% from 2016 to 2018. See “— Principal Income Statement Components — Income tax expense” in this section for a discussion of our income tax treatment.

As at the Latest Practicable Date, Nanjing Xibai is in the process of applying for software enterprise certificate and expects to obtain such certificate in July 2015. The application of Nanjing Xibai to be recognized as a software enterprise have been accepted by the competent authority on 18 March 2015. As stated in the section headed “Regulatory overview—Laws and Regulations in relation to Tax—Enterprise Income Tax” in this prospectus, Nanjing Xibai has satisfied the requirements under the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) for the application for software enterprise certificate. Based on the above and after reviewing the application filings of Nanjing Xibai, our PRC Legal Advisers are of the view that the application filings of Nanjing Xibai are in accordance with the statutory application requirements. Based on the preliminary assessment performed by us, in the opinion of our Directors, we believe the chance for Nanjing Xibai to be recognised as a software enterprise is high. Therefore the service fees received by Nanjing Xibai under the Contractual Agreement would be exempted from income tax for its first two profitable years (i.e. 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019 and the effective income tax rate of our Group in 2015 is likely to maintain a comparable level with 2014 without factoring any other tax incentives available to us. If Nanjing Xibai is unable to obtain the software enterprise certificate as expected, the effective income tax rate of our Group in 2015 is likely to be approximately 25% without factoring any other tax incentives available to us under relevant tax law.

The PRC implements a certification system regarding the entitlement of software enterprises to the incentives. According to “Administrative Measures for the Accreditation of Software Companies” ([2013] No. 64 of the MIIT) (《軟件企業認定管理辦法》(工信部聯軟 [2013] 64號)), which defined the competent authorities and standard regarding software enterprises certification, the software enterprises that have obtained a Software Enterprise Certificate could go through the relevant

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procedures with relevant authorities and enjoy the incentives according to the requirements, and software enterprise certification shall be reviewed annually. Enterprises which have not been reviewed or do not pass the annual review are disqualified as a software enterprise and its software enterprise certification shall automatically lapse that it shall no longer enjoy the relevant incentives.

Due to the Contractual Arrangement, Nanjing Xibai has taken over the operational functions of our Group and facilities and personnel of Nanjing Xihui necessary for provision of the relevant services under the Contractual Arrangement have been transferred to Nanjing Xibai while Nanjing Xihui remains the billing entity and continues to provide customer support services only. Such adjustment may affect the qualification of Nanjing Xihui as a “Software Enterprise” and entitlement to the relevant preferential tax treatment. However, according to the Exclusive Technology Service and Management Consultation Agreement, Nanjing Xihui shall pay service fees to Nanjing Xibai every six months as calculated by Nanjing Xibai based on the financial conditions of Nanjing Xihui. In the premises of compliance with the PRC laws and regulations, the service fees are equal to the profits of Nanjing Xihui after deducting losses in previous years, necessary operating costs, expenses and taxes. As such, the taxable profit of Nanjing Xihui in the future may be insignificant. Therefore, if Nanjing Xihui lose its status as a software enterprise and a higher income tax rate is made applicable to Nanjing Xihui, there is no material and adverse effect on our tax liability, financial condition and results of operations.

As a result of our preferential tax treatment, we recorded only income tax expense of RMB0.3 million in 2014 as compared to RMB1.4 million in 2013. If the PRC government changes its tax policy of supporting software enterprise or if we fail to pass the annual review of software enterprise certification, we may cease to be eligible for the preferential tax treatment mentioned above, which would adversely affect our performance and profitability.

Seasonality

We have experienced, and expected to continue to experience, seasonal fluctuation in our revenues and results of operations. Historically, the fourth quarter of each year generally contributes the largest portion of our annual revenues as a result of increased advertising and promotion activities, which is primarily due to the fact that (i) the fourth quarter is the traditional shopping season, and customers typically allocate a significant portion of their marketing budgets to the fourth quarter; and (ii) a number of large-scale promotions usually occur in the fourth quarter, such as Singles Day on 11 November, which has become an annual promotional shopping day in China, and various promotion activities during the Christmas period. In comparison, marketing activity level tends to become lower after the fourth quarter’s spending. Furthermore, holiday period following the Chinese New Year is usually in the first quarter, during which consumers spend less and business in China is generally less vigorous. Therefore, we typically record the smallest portion of our annual revenues in the first quarter of each year. The following table summarizes the quarterly revenue during the Track Record Period:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
2013	5,960	10,781	10,113	12,514	39,368
2014	9,369	12,854	11,714	19,496	53,433

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As a result of seasonal fluctuations, comparisons of sales and operating results between different quarters within a single year, are not necessarily meaningful and should not be relied on as indicators of our Group's performance.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Revenue recognition

Our Group derives its revenue from (i) the provision of marketing and promotional service of placing online advertisements such as banners, links and logos on its own website or mobile APP in the PRC, and (ii) e-commerce business. Revenue is net of sales tax and related surcharges.

The majority of the online advertising contracts are entered with a lump-sum consideration covering multiple deliverables of marketing and promotional service for a fixed period of time with no guaranteed minimum number of clicks. The lump-sum consideration and timing of rendering each deliverable have been pre-agreed and evidenced by written contracts entered into between our Group and its customers. The consideration is allocated into each deliverable based on their best estimated selling price, and the related revenue is recognized over the period during which the service for the relevant deliverable is provided. Significant assumptions and estimates have been made in estimating the selling price of each unit of accounting, and changes in judgments on these assumptions and estimates could materially impact the timing of advertising revenue recognition. In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the number of clicks. If collectability from the customers cannot be assessed as reasonably assured at the outset of the contracts, revenue is only recorded until cash is received from the customers.

Revenue from the delivery of action-based advertisement (e.g., website redirecting) is recognized, when statement from third party is received to confirm the actions have been completed successfully.

Commencing from September 2014, our Group was engaged in e-commerce business, which comprises the sale of products related to children, babies, and maternity. Revenue is recognized when the products have been delivered to and accepted by the customers. Prepayment is normally required prior to delivery of products.

Research and Development Costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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Impairment of trade and other receivables

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgments and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade and other receivables amounted to nil and RMB36,000 in the years ended 31 December 2013 and 2014, respectively.

Determining best estimate of the selling prices of each element within the contracts

Our Group established a standard price menu for each deliverable of our marketing and promotional service (i.e., full banner, banner, button, multi-flip and couplet) and discounts were always given by us. Price menu was set up based on historical experience, and was reviewed and updated annually. Our Group has used the listed prices on the price menu as relative selling price of each deliverable to allocate the total consideration within the contracts. In making this estimate, our Group considers all the reasonably available information, including both market data and conditions and entity-specific factors, when estimating the selling price of individual deliverable. Our Group considers all factors contemplated in negotiating the arrangement with the customer and its normal pricing practices based on the most objective and reliable information that is available.

The price menu is adjusted each year and accordingly the estimated selling price of each deliverable changes annually. Historically there is no significant subsequent adjustment of revenue amount due to change in estimated selling price because the listed prices of most deliverables are adjusted to a similar extent and the relative selling prices do not change significantly.

SUMMARY RESULTS OF OPERATIONS

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group for the years ended 31 December 2013 and 2014.

	Year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	39,368	53,433
Cost of sales	<u>(4,358)</u>	<u>(4,749)</u>
Gross profit	35,010	48,684
Other income and gains	63	743
Selling and distribution expenses	(4,980)	(6,116)
Administrative expenses	(2,251)	(7,769)
Research and development costs	<u>(19,511)</u>	<u>(15,703)</u>
Profit before income tax	8,331	19,839
Income tax expense	<u>(1,413)</u>	<u>(252)</u>
Profit for the year	<u><u>6,918</u></u>	<u><u>19,587</u></u>

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Attributable to	Year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Owners of the parent	4,817	13,645
Non-controlling interests ⁽¹⁾	<u>2,101</u>	<u>5,942</u>

Note 1:

During the Track Record Period, over 98.0% of the profit attributable to non-controlling interests represent the indirect interests of Tianjin Chengbai and Mr. Cheng Ke in Nanjing Xihui and Nanjing Xinchuang through Jiangsu Xi'an. Only less than 2% of the profit attributable to non-controlling interests represent the interests of Jiangsu Hanbo and Jiangsu Southeast University Asset Management in Nanjing Fuyuan. As part of the Reorganization, Ms. Li Juan and Mr. Cheng Li acquired the non-controlling interests of Nanjing Xihui and Nanjing Xinchuang from Jiangsu Xi'an pursuant to several share transfer agreements in November 2014, and pursuant to the implementation of the Contractual Arrangement in December 2014, Nanjing Xihui and Nanjing Xinchuang were accounted for as wholly-owned subsidiaries of our Company.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Substantially all of our revenue is derived from the provision of marketing and promotional services, which mainly comprises display of online advertisements on our platform. In recent years, our business had experienced rapid growth and expansion. Our revenue increased from RMB39.4 million for the year ended 31 December 2013 to RMB53.4 million for the year ended 31 December 2014, or 35.5% growth. The following table sets out the breakdown of our revenue during the Track Record Period.

	Year ended 31 December			
	2013		2014	
	<i>(RMB'000 except for percentage)</i>			
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
Marketing and promotional services				
- advertising agencies	32,802	83.3	43,549	81.5
- non-advertising agencies ^(Note 1)	6,566	16.7	8,725	16.3
- third-party online shopping platform ^(Note 2)	—	—	730	1.4
<i>Sub-total</i>	<u>39,368</u>	<u>100.0</u>	<u>53,004</u>	<u>99.2</u>
E-commerce^(Note 3)	<u>—</u>	<u>—</u>	<u>429</u>	<u>0.8</u>
Total	<u><u>39,368</u></u>	<u><u>100.0</u></u>	<u><u>53,433</u></u>	<u><u>100.0</u></u>

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Notes:

- (1) Non-advertising agencies mainly include CBM product manufacturers and CBM service providers.
- (2) In 2014, we began to generate revenue from a third-party online shopping platform through delivery of action-based advertisement (i.e. website redirecting), which accounted for nil and 1.4% of our total revenue in 2013 and 2014, respectively.
- (3) We commenced our e-commerce business in September 2014.
- (4) We commenced the cooperation for the research and development of smart-hardware devices in August 2014 and did not record any revenue for this business segment during the Track Record Period.

Marketing and promotional service

Revenues from our marketing and promotional service accounted for 100.0% and 99.2% of our total revenues in 2013 and 2014, respectively, of which more than 80.0% was derived from advertising agencies, and approximately 16.0% was derived from CBM product manufacturers and CBM service providers. In 2014, we began to generate revenue from a third-party online shopping platform through delivery of action-based advertisement (i.e. website redirecting), which accounted for 1.4% of our total revenue in 2014. We provide online marketing service and promotional service on our Platform primarily by (i) displaying of online advertisements on our Platform; (ii) providing promotional and technical support services, including word of mouth marketing, social activities marketing and content marketing; and (iii) offering action-based advertisements. For displaying advertisement on our Platforms and providing technical support services, the related revenue is recognized over the period during which service for the relevant deliverables is provided. In respect of action-based advertisement services (i.e. website redirecting), we charge the third-party online shopping platform a commission, which is determined based on a pre-agreed percentage of the amount of purchases made on the third party online shopping platform by web users redirected by us. The percentage varies among different goods categories, with majority ranging from 5% to 20%. Consistent with common practice in the Internet industry, we are unable to reliably estimate the monthly commission as there is no access to the data of users' purchase activities conducted through the third-party online shopping platform. The third-party online shopping platform confirms the completion of purchase transactions when the goods have been received by purchasers. Accordingly the commission is recognised as revenue upon the receipt of the statement from third party online shopping platform to confirm the purchase transactions have been completed successfully. During the Track Record Period, there is not any discrepancies regarding the amount of commission and timing of revenue recognition between us and the third party online shopping platform.

Consistent with common practice in the advertising industry in China, we offer incentives to advertising agencies. Our revenues are presented net of rebates to advertising agencies. Our revenue from the provision of marketing and promotional service increased by 34.5% from RMB39.4 million in 2013 to RMB53.0 million in 2014, primarily due to the following:

- **the increase in number of brands:** The number of brands, usually CBM related brands, placing advertisement on our Platform increased by 19.8% from 111 in 2013 to 133 in 2014,

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primarily attributable to the growth of our user base. Advertisers prefer to choose online platform with a richer user base. As a result of the comprehensive content offered by us and the interactive nature of our Platform, we have been able to keep existing users and at the same time attract new users. Also, through the larger and more engaged user base under our Platform, we are able to better understand the need of our users and their preference, and then formulate the most effective marketing proposals for our advertising customers and offer products and services. This contributes to the enhanced capacity to monetize Internet traffic from our Platform which in turn leads to the increase in the number of brands. Furthermore, our business strategies to develop O2O Service and expand our e-commerce business enable us to further enrich our user base and attract more brands and advertisers.

- the increase in average advertising spending by brands:** The average advertising spending increased by 13.3% from approximately RMB354,700 in 2013 to approximately RMB401,800 in 2014 due primarily to the increase in our selling price of the advertising space. We typically raise the selling price of our advertising space on an annual basis, and the growth rate is generally in the range of 5% to 20% depending on the location of advertising space.

E-commerce business

In order to capture the business opportunities arising from the fast-growing online consumption market, we commenced our e-commerce business in September 2014, the revenue contributed by which was insignificant for the four months ended 31 December 2014.

Cost of sales

Our cost of sales primarily consists of salaries and welfares, cost of goods sold and other costs. The table below sets forth the components of our cost of sales for the periods indicated.

	Years ended 31 December			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salaries and welfares	3,347	76.8	3,094	65.2
Bandwidth and internet data centre costs	326	7.5	448	9.4
Depreciation expense	230	5.3	287	6.0
Materials consumption costs	256	5.8	230	4.9
Cost of goods sold	—	—	405	8.5
Others	199	4.6	285	6.0
Total	<u>4,358</u>	<u>100.0</u>	<u>4,749</u>	<u>100.0</u>

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Salaries and welfares included in cost of sales are the cost we paid for personnel in our editorial department and e-commerce department, including salaries, benefits and bonus. Bandwidth and internet data centre costs consist of fees that we pay to telecommunication carriers and other service providers for telecommunication services and for hosting our servers at their internet data centres. Materials consumption costs represent the costs related to the materials we used in our offline social activities such as free food tasting, free product trials, seminars on CBM information, photo taking competitions and baby shows so as to arouse the interest of our users and keep their stickiness to our Platform. Cost of goods sold represents the purchase cost of the goods we sold on our Mobile APPs. Other costs include material cost, rental expense, and other miscellaneous expenses.

Gross profit and gross profit margin

Our gross profit, which represents the excess of revenue over cost of sales, were RMB35.0 million and RMB48.7 million in 2013 and 2014, respectively, representing gross profit margin of 88.9% and 91.1%, respectively.

Other income and gains

Other income and gains consists of interest income and other non-operating income. The following table sets forth the breakdown of other income and gains for the period indicated.

	Years ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	53	377
Government grants	<u>10</u>	<u>366</u>
Total	<u><u>63</u></u>	<u><u>743</u></u>

Interest income includes (i) interest earned from cash at banks at a floating rates based on daily bank deposit rates; and (ii) interest arising from financial products. Government grants primarily represented VAT refunds offered to Nanjing Xihui for providing certain qualified technology related service to Nanjing Xinchuang.

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Selling and distribution expenses

Our selling and distribution expenses consist of salaries and welfares, promotion costs, office expenses and others. The table below sets forth the components of our selling and distribution expenses for the periods indicated.

	Years ended 31 December			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salaries and welfares	2,234	44.9	4,021	65.7
Office expense	378	7.6	402	6.6
Promotion expense	1,254	25.2	693	11.3
Others	1,114	22.3	1,000	16.4
Total	<u>4,980</u>	<u>100.0</u>	<u>6,116</u>	<u>100.0</u>

Salaries and welfares included in selling and distribution expenses are the cost we paid for personnel in our marketing and customer services department including salaries, benefits and bonus. Promotion expense arose from marketing and promotional activities in order to promote brand awareness of our Platform. Other expenses include travelling expense, bandwidth expense, rental expense, entertainment expense, depreciation expense and other miscellaneous expenses.

Administrative expenses

Our administrative expenses consist of salaries and welfares, office expense, legal and professional fee for the Listing and others. The table below sets forth the components of our administrative expenses for the periods indicated.

	Years ended 31 December			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salaries and welfares	1,496	66.5	1,789	23.0
Office expense	349	15.5	122	1.6
Listing expenses	—	—	5,558	71.5
Others	406	18.0	300	3.9
Total	<u>2,251</u>	<u>100.0</u>	<u>7,769</u>	<u>100.0</u>

Salaries and welfares included in administrative expenses are the cost we paid for personnel in our administrative department including salaries, benefits and bonus. Other expenses include travelling expense, rental expense, entertainment expense, depreciation expense, and other miscellaneous expense.

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Listing expenses

Transaction costs of new listing of shares involve both issuance of new shares and the listing of existing shares. Under the relevant accounting standards, incremental costs directly attributable to the issuance of new shares are deducted from equity (such as underwriting fee and listing application fee), and costs that relate to the listing of existing shares, or are otherwise not incremental and directly attributable on issuing new shares should be recognized as an expenses (such as public relation consultants' fee, industry consultant's fee and road show costs). For those transaction costs that relate jointly to both the issuance of new shares and the listing of existing shares, the allocation is made using a rational and consistent basis (such as the professional fees paid to the Sole Sponsor, reporting accountants, legal advisers and other professional parties).

The underwriting commission (assuming a Placing Price of HK\$1.33 per Share, being the mid-point of the Placing Price) of approximately RMB9.2 million is shared by our Company and the Selling Shareholder based on the proportion of the number of New Shares (200,000,000 Shares) and Sale Shares (50,000,000 Shares) respectively. The total expenses (excluding underwriting commission) in connection with the Listing of the existing Shares (including the Sale Shares) and the New Shares amounted to approximately RMB18.8 million, which are borne by our Company.

The total expense for the Listing (including the underwriting commission) to be borne by our Group are estimated to be approximately RMB26.1 million, of which approximately RMB14.8 million is to be charge as administrative expenses to our profit and loss accounts for the period in which the expenses are incurred, and approximately RMB11.3 million is directly attributable to the issue of new Shares in the Placing and to be accounted for as a deduction from equity. During the Track Record Period, we incurred listing expenses of RMB6.9 million, among which RMB5.5 million was charged to profit or loss of our Group, and RMB1.4 million was expected to be capitalized upon Listing. Our Directors estimate that we will further incur underwriting commission and other listing expenses of approximately RMB19.2 million, among which approximately RMB9.3 million will be charged to profit or loss of our Group and approximately RMB9.9 million will be charged to equity upon completion of the Placing. Our Directors would like to emphasize that such cost is a current estimate for reference only, and the final amount to be recognised to the statement of profit or loss and other comprehensive income of our Group or to be capitalized is subject to adjustment based on audit and the then changes in variables and assumptions.

Research and development expenses

Research and development expenses is our Group's major operating expenses, which represented 49.6% and 29.4% of our total revenue in 2013 and 2014 respectively. Research and development expenses consist primarily of salaries and welfares expenses relating to our research and development

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personnel, and also include outsourcing fee, bandwidth and training expenses, office overhead and other expenses relating to our research and development activities. The table below sets forth the components of our research and development expenses for the periods indicated.

	Years ended 31 December			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salaries and welfares	12,746	65.3	12,797	81.5
Outsourcing fee	5,240	26.9	1,533	9.8
Others	<u>1,525</u>	<u>7.8</u>	<u>1,373</u>	<u>8.7</u>
Total	<u><u>19,511</u></u>	<u><u>100.0</u></u>	<u><u>15,703</u></u>	<u><u>100.0</u></u>

During the Track Record Period, a large portion of our research and development expenses was staff cost, which accounted for 65.3% and 81.5% of the total research and development costs in 2013 and 2014, respectively. Our research and development team is mainly responsible for developing software applications and interactive products, such as Mobile APPs, and maintaining our Platform. As at the Latest Practicable Date, our research and development team has developed and launched 30 Key Mobile Apps. Currently we are developing different types of Mobile APPs for interactive family entertainment.

Outsourcing fee represents the development fee we paid to third parties for their research and developing service, especially the services for software developing, such as graphic art and music design.

Income tax expense

We are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. The following table sets forth our income tax for the periods indicated.

	Year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
Mainland China	1,413	252
Effective income tax rate	17.0%	1.3%

Cayman Island and BVI profit tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, our Group is not subject to any income tax in the Cayman Islands and BVI.

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Hong Kong profit tax

The subsidiary of our Company incorporated in Hong Kong is subject to Hong Kong profits tax, which is provided at the rate of 16.5% on the estimated assessable profits. No provision for Hong Kong profits tax has been made as our Group had no assessable profit derived from or earned in Hong Kong during the Track Record Period.

PRC income tax

Under the relevant income tax law, our PRC subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Nanjing Xihui, which was certified as software enterprise in April 2014, and is exempted from income tax for two years starting from the first year in which they generate taxable profit, followed by a 50% reduction for the next three years. 2014 was the first profitable year for Nanjing Xihui subsequent to obtaining the said qualification, and therefore it is exempted from income tax for the years ended 31 December 2014 and 2015, and will be entitled to a preferential income tax rate of 12.5% from 2016 to 2018.

The effective income tax rate was 17.0% in 2013, which is lower than statutory tax rate 25%, primarily as a result of additional deductions relating to our research and development expenses. Income tax impact of super-deduction of research and development expenses was RMB0.7 million while the total income tax in 2013 was RMB1.4 million. According to Guoshuifa [2008] NO. 116 (國稅發[2008]116號) and Guoshuifa [2009] NO. 255 (國稅發[2009]255號), if the research and development expense could fulfill certain criteria with sufficient supporting documents, our Company could enjoy a 50% super deduction over the actual incurred research and development expense during annual income tax filing. Nanjing Xinchuang applied for enjoying such preferential tax treatment in 2013 and reported to the relevant tax bureau for records. Accordingly, Naning Xinchuang has claimed a research and development super deduction of RMB2.9 million with an effect on income tax of RMB0.7 million in 2013. The amount eligible for super-deduction is mainly comprised of staff cost of research and development department.

In 2014, majority of our marketing and promotional service was offered by Nanjing Xihui which is exempted from income tax mentioned above, and therefore such offer is based on intra-group transactions within our Group of which the pricing basis has been assessed to be at arm's length as confirmed by our consultation with an independent professional firm. The said transfer-pricing report has taken into account the situations of comparable companies and analyzed the reasonableness of the intra-group transactions between Nanjing Xihui and Nanjing Xinchuang for the year ended 31 December 2014 whereby Nanjing Xihui provided technical support services including liaison with customers, website maintenance, publication of advertisements and other technical supports to Nanjing Xinchuang in return for service fees, and considered that Nanjing Xihui in practice assumed almost all the functions and associated risks for the website operation. The effective income tax rate was 1.3% in 2014.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Year ended 31 December 2013 compared to year ended 31 December 2014

Revenue

Our revenue increased by 35.5% from RMB39.4 million in 2013 to RMB53.4 million in 2014, primarily due to the increased number of brands placing advertisements on our Platform and the increased average advertising spending by these brands. In 2014, 133 brands, usually relating to CBM products, placed their advertisements on our Platform, compared to 111 in 2013, while the average advertising spending increased from approximately RMB354,700 to approximately RMB401,800 primarily driven by the increase in the selling prices of our advertising spaces during the same period.

Cost of sales

Our cost of sales increased by 6.8% from RMB4.4 million in 2013 to RMB4.7 million in 2014, primarily due to (i) the purchase cost of the goods we sold on our Mobile APPs due to the commencement of our e-commerce business in September 2014; and (ii) the increase in the salaries and welfares, which driven by the new recruits in e-commerce department and an increase in the number of editorial staff.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 39.1%, from RMB35.0 million in 2013 to RMB48.7 million in 2014. Our gross profit margin increased slightly from 88.9% to 91.1% during the same period due to increased economies of scale as our revenue grew significantly.

Other income and gains

Other income and gains increased from RMB0.1 million in 2013 to RMB0.7 million in 2014 primarily due to (i) the interest income arising from financial products, and (ii) the VAT refunds for providing qualified technology related service in 2013.

Selling and distribution expenses

Selling and distribution expenses increased by 22.0% from RMB5.0 million in 2013 to RMB6.1 million in 2014, primarily attributable to the increase in salaries and welfares as a result of the increased headcount in customer service department and marketing department, reflecting our enhanced effort in promoting our Platform. This increase was partially offset by the decrease in promotion expense, which mainly due to a decline in the conference expense relating to promotional activities.

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Administrative expenses

Administrative expenses increased by 239.1%, from RMB2.3 million in 2013 to RMB7.8 million in 2014, primarily due to (i) legal and professional expenses resulted from our preparation for the Listing; and (ii) an increase in the salaries and welfares of our administrative personnel.

Research and development costs

Research and development costs decreased by 19.5% from RMB19.5 million in 2013 to RMB15.7 million in 2014, primarily attributable to the decrease in our outsourcing fee. The decrease was mainly due to the fact that substantial development work, including graphic art and music design, of our Mobile APPs was outsourced to third parties in 2013, and also, with the accumulation of experience of our developing personal, more development works were performed in house by our own staffs in 2014 than 2013.

Income tax expense

Our income tax expense decreased significantly from RMB1.4 million in 2013 to RMB0.3 million in 2014, mainly because that Nanjing Xihui was certified as software enterprise in April 2014, and is exempted from income tax from 2014 to 2015.

Profit for the year

As a result of the factors described above, our net profit increased by 184.1% from RMB6.9 million for the year ended 31 December 2013 to RMB19.6 million for the year ended 31 December 2014.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth certain consolidated statements of financial position items as at each of the dates indicated, which is derived from the Accountants' Report in Appendix I:

	As of 31 December	
	2013	2014
	RMB'000	RMB'000
Current assets		
Trade receivables	22,636	27,947
Prepayments, deposits and other receivables	1,322	2,737
Current liabilities		
Other payables and accruals	5,826	8,366
Tax payable	1,376	1,626
Due to a related company	9,183	—

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Trade receivables

Our trade receivables were RMB22.6 million and RMB27.9 million as of 31 December 2013 and 2014, respectively, accounting for 62.3% and 67.1% of our total assets as of the respective dates. Our trade receivables primarily relate to the provision of marketing and promotion services and due to the nature of the business, we do not generate trade receivables from e-commerce business. The following table sets forth our trade receivables and allowance for doubtful debts as of the dates indicated.

	As of 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Gross trade receivables	22,636	27,947
Less: allowance for doubtful debts	—	—
Net trade receivables	22,636	27,947

Our trade receivables increased from RMB22.6 million as of 31 December 2013 to RMB27.9 million as of 31 December 2014, representing a growth rate of 23.5%, which is largely line with the increase in our revenue during the same period.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. As of 31 December 2013 and 2014, we did not record any allowance for doubtful debts.

The following table sets forth a summary of the aging analysis of our gross trade receivables, based on services rendered, as of the dates indicated.

	As of 31 December			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
1 to 3 months	13,364	59.0	20,281	72.6
4 to 6 months	4,042	17.9	4,127	14.8
7 months to 1 year	3,659	16.2	2,691	9.6
Over 1 year to 2 years	1,571	6.9	848	3.0
	<u>22,636</u>	<u>100.0</u>	<u>27,947</u>	<u>100.0</u>

During the Track Record Period, a majority of our trade receivables was aged within three months. As at Latest Practicable Date, RMB23.6 million or 84.6% of our trade receivables outstanding as of 31 December 2014 were settled.

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We generally grant our customers a credit period up to 90 days upon completion of the service contract, depending on various factors such as the credit worthiness and transaction history of the particular customer. Our advertising contracts run, in term of duration, from several weeks to 12 months. The following table sets forth a breakdown of the amount of advertising service contracts in effect for the periods indicated by durations.

	Year ended 31 December			
	2013		2014	
	RMB'000	%	RMB'000	%
Total amount of advertising contracts in effect ^(Note)				
Within 30 days	15,201	27.5	17,206	25.6
31 to 60 days	10,035	18.1	11,018	16.4
61 to 90 days	5,448	9.9	12,621	18.8
90 to 180 days	12,494	22.6	12,713	19.0
Over 180 days	12,119	21.9	13,539	20.2
Total	55,297	100.0	67,097	100.0

Note: Contracts spanning across financial years are only counted once in the first financial year.

The total amount of advertising contracts in effect for the year ended 31 December 2013 and 2014 was RMB55.3 million and RMB67.1 million, respectively, of which 55.5% and 60.8% were within 90 days, respectively. Our revenue derived from the provision of marketing and promotional service is recognized over the period during which the service for the relevant service is provided, and the actual billing is generally made upon completion of the contract. For more details of the revenue recognition, please see “— Significant accounting policies and estimates — Revenue recognition” in this section.

Our trade receivables account for significant portion of our total assets and are typically unsecured, which are exposed to credit risk. Due to the time gap between our revenue recognition and actual billing, a default in payment by our customers may expose us to greater credit risk. We have established and implemented a credit risk management system to minimize our risk exposure. The risk is managed by our Group’s assessment of its customers’ credit worthiness and the ongoing monitoring process of outstanding balances, which include the following internal control measures:

- our customer service department carries out due diligence investigation on a new customer who wishes to trade on credit term, including conducting background checks, collecting current information on the operation and financial situation of the customer, checking the required qualifications and reviewing relevant supporting documents provided by the customer, to avoid engaging in business relationships with low credit quality customers;
- the result of investigation will be reviewed by management department, which will verify the accuracy and completeness of the investigation result to decide whether the customer will be granted a credit term;

FINANCIAL INFORMATION

- our financial department prepares a monthly summary of trade receivables, including status of revenue recognition, billing, payment progress and balance of trade receivable of each customer, which will be sent to customer service department for cross checking, and any overdue trade receivables will be highlighted in the said summary for follow up, including any appropriate legal actions to be taken;
- our customer service department keeps independent records for trade receivable of each customer, and cross checks it with our financial department; our financial manager reviews the result of cross-check monthly, to ensure the accuracy of the records of trade receivables;
- our financial department confirms directly with customers on the balance of trade receivables by written confirmation periodically, to ensure the accuracy of the balance of trade receivables;
- our financial manager prepares aging analysis of trade receivables on a quarterly basis, which will be reported to our executive Directors together with the material overdue trade receivables (if any), to ensure our executive Directors can oversee the credit risk management in relation to our trade receivables;
- our customer service department is responsible for the collection of overdue trade receivables, and for overdue trade receivables which we have identified to be of high potential default risk, a demand letter will be sent to the customer by the lawyer engaged by our Group, or legal proceeding against to the customer will be initiated by us; and
- our audit committee will review and supervise the establishments and executions of our internal control systems, including credit risk management, upon Listing. The audit committee will be assisted by a professional accounting firm engaged by our Group since 1 January 2015, which conducts regular internal audits and reports to the audit committee.

As a result of the credit risk management system mentioned above, our Directors consider that our Group can effectively manage our credit risk of trade receivables. For the years ended 31 December 2013 and 2014, the provision made for impairment of trade and other receivables amounted to nil and RMB36,000, respectively, and there was no allowance for doubtful debts as at 31 December 2013 and 2014. During the Track Record Period, only RMB36,000 of trade receivables together with associated allowance were written off.

The table below sets forth the average turnover days of trade receivables for the period indicated:

	Year ended 31 December	
	2013	2014
Average trade receivables turnover days ^{Note}	176	173

Note: Average trade receivables turnover days equals the average of the opening and closing balance of trade receivables for the year divided by total revenue for the year, multiplied by the number of days for each of the year.

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During the Track Record Period, the trade receivables turnover days remained relatively stable at 176 days in 2013 and 173 days in 2014, respectively.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as of each of the dates indicated.

	As of 31 December	
	2013	2014
	RMB'000	RMB'000
Prepaid expenses	289	694
Deductible sales tax	457	344
Other receivables	576	367
Deferred listing expense	—	1,332
	<u>1,322</u>	<u>2,737</u>

Prepaid expenses mainly represented prepayments for rental and bandwidth. Deductible sales tax primarily included deductible input VAT and culture development fee arising from intra-group transactions. Other receivables mainly included advances to employees as travelling disbursements and rental deposits. We make limited prepayments, deposits and advances during our ordinary course of business. The prepayments, deposits and other receivables increased significantly in 2014 primarily attributable to deferred listing expense resulting from the preparation for the Placing started in the second half of 2014.

Other payables and accruals

The following table sets forth the breakdown of our other payables and accruals as of each of the dates indicated.

	As of 31 December	
	2013	2014
	RMB'000	RMB'000
Employee related payable	4,078	4,536
Other tax payables	1,604	1,637
Other payables	144	2,193
	<u>5,826</u>	<u>8,366</u>

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Employee related payable was the key component of other payables and accruals, which was RMB4.1 million and RMB4.5 million as of 31 December 2013 and 2014, respectively, of which RMB0.5 million and RMB1.0 million represented the amounts accrued for social security contribution required in the PRC, respectively. Further information about the social security contribution are set out in the section headed “Business — Legal Proceedings and Compliance” of this prospectus.

Other tax payables represented VAT and surcharges payables, and other payables mainly included the accrued listing expenses and the payables related to bandwidth expenses. The increase in other payables and accruals primarily attributable to the accrued listing expenses of RMB1.4 million and increased payroll payable.

Tax payable

Our tax payable was RMB1.4 million as of 31 December 2013 primarily representing income tax payable accrued on the assessable profit in 2013 of Nanjing Xinhui, which was also included in balance of the tax payable as of 31 December 2014 and will be fully paid before the Listing. The additional tax payable of RMB0.2 million as of 31 December 2014 was accrued on the assessable profit in 2014 of Nanjing Xinchuang.

Due to a related company

As of 31 December 2013, we had amount due to a related party, Jiangsu Xi’an, of RMB9.2 million, representing cash advanced from Jiangsu Xi’an, which was non-trade in nature, non-interest bearing and has been fully settled in 2014.

LIQUIDITY AND CAPITAL RESOURCE

During the Track Record Period, we principally financed our operations through a combination of shareholders’ funding and internally generated cashflow from our operations. And we principally used our cash to finance our working capital and capital expenditures.

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended 31 December	
	2013	2014
	<i>RMB’000</i>	<i>RMB’000</i>
Net cash flows generated from operating activities	3,400	17,018
Net cash flows (used in)/generated from investing activities	(1,123)	183
Net cash flows generated from/(used in) financing activities	7,976	(18,515)
Net increase/(decrease) in cash and cash equivalents	10,253	(1,314)
Cash and cash equivalents at the beginning of the year	679	10,932
Cash and cash equivalents at the end of the year	10,932	9,618

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Net cash flows generated from operating activities

We derive our cash inflows from operating activities principally from the receipt of payments from provisions of our services. Our cash outflows from operating activities mainly include costs of services engaged for daily business operations.

For the year ended 31 December 2014, our net cash flows generated from operating activities was RMB17.0 million, consisting of (i) cash generated from operations before changes in working capital of RMB20.1 million; and (ii) an increase in other payables and accruals of RMB2.5 million, which is partially offset by an increase in trade receivables of RMB5.4 million.

For the year ended 31 December 2013, our net cash flows generated from operating activities was RMB3.4 million, consisting of (i) cash generated from operations before changes in working capital of RMB8.8 million; and (ii) an increase in other payables and accruals of RMB2.5 million, which is partially offset by an increase in trade receivables of RMB7.3 million.

Net cash flows generated from/(used in) investing activities

For the year ended 31 December 2014, our net cash flows generated from investing activities was RMB0.2 million, consisting of interest received from financial products of RMB0.4 million, partially offset by cash paid for purchases of property, plant and equipment of RMB0.2 million.

For the year ended 31 December 2013, our net cash flows used in investing activities was RMB1.1 million, primarily representing cash paid for purchases of property, plant and equipment of RMB1.2 million.

Net cash flows generated from/(used in) financing activities

For the year ended 31 December 2014, our net cash flows used in financing activities is RMB18.5 million, consisting of (i) repayment of amount due to a related party of RMB9.2 million; (ii) dividend declared and paid to then shareholders of RMB8.0 million; and (iii) prepayment for listing expenses of RMB1.3 million.

For the year ended 31 December 2013, our net cash flows generated from financing activities is RMB8.0 million, representing the advances received from a related party, Jiangsu Xi'an, which has been fully repaid in 2014.

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COMMITMENTS

Other than operating lease commitments, we had no other capital commitments as of 31 December 2013 and 2014. The following table sets out our operating lease commitments as of the dates indicated:

	As of 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	723	696
In the second to fifth years, inclusive	<u>406</u>	<u>396</u>
	<u>1,129</u>	<u>1,092</u>

CAPITAL EXPENDITURE

Our capital expenditures were RMB1.2 million and RMB0.2 million for the year ended 31 December 2013 and 2014, respectively, and were primarily attributable to the purchases of servers, computers and office equipment. Our planned future capital expenditures mainly include purchases of additional servers and computer equipment to cater to our business expansion. Our Directors do not expect to incur material capital expenditure for the year ending 31 December 2015.

ADDITIONAL KEY FINANCIAL RATIOS

The table below sets out our key financial ratios as at the dates indicated.

	As of or for the year ended	
	2013	2014
Current ratio ⁽¹⁾	2.1	1.8
Return on equity ⁽²⁾	34.9%	99.3%
Return on assets ⁽³⁾	19.0%	47.1%

Notes:

- (1) Current ratio equals current assets as at the indicated date divided by current liabilities as at the same date.
- (2) Return on equity is calculated by dividing profit by the balance of total equity as at the indicated date multiplied by 100%.
- (3) Return on assets is calculated by dividing profit by the balance of total assets as at the indicated date multiplied by 100%.

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Current ratio

Our current ratio decreased from 2.1 as of 31 December 2013 to 1.8 as of 31 December 2014, primarily due to the dividend payable of RMB11.7 million.

Return on equity

Our return on equity increased from 34.9% in 2013 to 99.3% in 2014 because our net profit increased by significantly 184.1% from 2013 to 2014, while our total equity decreased slightly by 0.6% from 31 December 2013 to 31 December 2014. The was primarily due to (i) the declaration of dividend of RMB19.7 million in October 2014; and (ii) improvement of our operating efficiency with our business expansion.

Return on assets

Our return on assets increased from 19.0% in 2013 to 47.1% in 2014 primarily due to the larger increase of 184.1% in our net profit than 14.5% increase in our total assets. The was primarily as a result of (i) the payment for dividend of RMB8.0 million in December 2014; and (ii) improvement of our operating efficiency with our business expansion.

WORKING CAPITAL

Our Directors believe that after taking into account the financial resources presently available to us, including internally generated funds, and the estimated net proceeds of the Placing, we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

CONTINGENT LIABILITIES

As of 31 May 2015, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any members of our Group.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Our Group's principal financial instruments, other than derivatives, comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for our Group's operations. Our Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from our Group's financial instruments are credit risk and liquidation risk. The board of directors reviews and agrees policies for managing the risks and they are summarized below.

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Credit risk

Our Group trades only with recognized and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant.

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since our Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by credit quality of individual customer. As of 31 December 2013 and 2014, 56% and 58%, respectively, of the total trade receivables were due from our Group's five largest customers. Among which, 15% and 12% of the total trade receivables as of 31 December 2013 and 2014, respectively, were due from the largest customer.

Liquidation risk

Our Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilized during the year ended 31 December 2014 and 2013. Management considers that our Group does not have significant liquidity risk.

Capital management

The primary objectives of our Group's capital management are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. Our Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the reporting period.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practical Date, we do not have any off-balance sheet arrangements.

INDEBTEDNESS

We have a short-term liquidity facility up to RMB10.0 million with a term of one year from 29 April 2015 to 28 April 2016, all of which were unused as of 31 May 2015. We did not have, as of

FINANCIAL INFORMATION

31 May 2015, any bank loans or other borrowings, or any other outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in the note 27 of the accountants' report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms that are not less favourable than terms available from Independent Third Parties which are considered fair and reasonable and in the interest of our Shareholders as a whole.

DISCLAIMER

Our Directors confirm that, up to the Latest Practicable Date, there have been no material changes in our indebtedness, capital commitments, foreign exchange liabilities and contingent liabilities of our Group from 31 December 2014. Our Directors further confirm that we did not have any material default in payment of trade and other payables during the Track Record Period. Our Group's functional currency is Renminbi as all the turnover are in Renminbi. Our Group does not expect any significant currency risk which might materially affect our Group's results of operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated in Cayman Islands on 13 October 2014. As of 31 December 2014, we had no reserves available for distribution to our equity holders.

DIVIDEND POLICY

On 31 October 2014, we declared a dividend in the amount of RMB19.7 million payable to our then existing Shareholders, namely Jiangsu Xi'an, of which RMB8.0 million has been paid in December 2014, RMB5.0 million has been paid in March 2015 and RMB6.7 million has been paid in April 2015 by our internal funds. The dividend payment resulted in a cash outflow and a decrease in the balance of our cash and cash equivalents. Our Directors believe that after taking into account the financial resources presently available to us, including the cash and cash equivalents at hand and the internally generated funds in recent months, we have sufficient funds for our present working capital requirements, and the dividend payment will not have a material impact on our ordinary course of operation.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

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Dividends may be paid out of our distributable profits and share premium as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. Share premium is to be used, only if we are able to pay our debts as they fall due in the ordinary course of business. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under the Rules 17.15 to 17.21 of the GEM Listing Rules.

RULE 11.12A (1) OF THE GEM LISTING RULES — MINIMUM CASH FLOWS REQUIREMENT

Based on the Accountants' Report, our total operating cash flow generated from operating activities before changes in working capital and taxes paid for the financial years ended 31 December 2013 and 2014 in aggregate amounted to approximately HK\$36.6 million. Our Directors confirm that our Group is able to meet the cash flows requirement under Rule 11.12A (1) of the GEM Listing Rules.

Further, apart from the companies in our Group, the Controlling Shareholders also own Jiangsu Xi'an, which does not form part of our Group, details of Jiangsu Xi'an are set out in the section headed "Relationship with our Controlling Shareholders" in this prospectus. Based on the PRC GAAP, Jiangsu Xi'an's total operating cash flow generated from operating activities before changes in working capital and taxes paid for the financial years ended 31 December 2013 and 2014 in aggregate amounted to approximately HK\$1.3 million.

NO MATERIAL ADVERSE CHANGE

After performing all of the due diligence which our Directors consider appropriate, our Directors confirm that, as of the date of this prospectus, there has been no material adverse change to our financial or trading position or prospects since 31 December 2014, being the date to which our most recent audited consolidated financial statements were prepared, and since that date, there has been no event up to the date of this prospectus that would materially affect the information shown in our consolidated financial statements included in the accountants' report set out in Appendix I to this prospectus, in each case except as otherwise disclosed in this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared for the purpose of illustrating the effect of the Placing as if it had been taken place on 31 December 2014 in accordance with Rule 7.31 of the GEM Listing Rules and based on the consolidated net tangible assets of our Group attributable to owners of our Company as of 31 December 2014 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma

FINANCIAL INFORMATION

adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of our Group after the completion of the Placing.

	Consolidated net tangible assets of our Group attributable to owners of our Company as of 31 December 2014 <i>(note 1)</i> RMB'000	Estimated net proceeds from the Placing <i>(note 2)</i> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(note 3)</i> HKD
Based on an Offer Price of HK\$1.20 per share	<u>19,735</u>	<u>169,947</u>	<u>189,682</u>	<u>0.2399</u>
Based on an Offer Price of HK\$1.45 per share	<u>19,735</u>	<u>208,104</u>	<u>227,839</u>	<u>0.2881</u>

Notes:

- (1) Our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 is extracted from the Accountants' Report included as Appendix I to this prospectus, which is based on the consolidated net assets of our Group attributable to owners of our Company as at 31 December 2014 of RMB19,735,000.
- (2) The estimated net proceeds from the Placing are based on the indicative Offer Price of HK\$1.20 and HK\$1.45 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by our Company and take no account of any shares which may be issued upon the exercise of the Over-allotment Option or any shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after adjustment for the net proceed from the Placing payable to our Company as described in note (2) above and on the basis that a total of 1,000,000,000 shares were in issue assuming share Capitalization Issue and the Placing occurred as at 31 December 2014 (including shares in issue as at 31 December 2014 and those shares to be issued pursuant to the Placing, but excluding shares that may be issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme).
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered subsequent to 31 December 2014.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our principal business objective is to strengthen our position as an online platform focusing on the CBM market in China and utilize our heavy Internet traffic seeking for CBM content and services to further expand our operating revenue.

BUSINESS STRATEGIES

Please refer to the section headed “Business — Our Business Strategies” in this prospectus for a detailed description of our Group’s future plans. We endeavour to achieve our business objectives and adopt our business strategies in accordance with the schedule set out in the paragraph headed “Implementation plans” in this section. The respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our Group’s business plans will materialise in accordance with the estimated time frame and that our Group’s future plans will be accomplished at all.

IMPLEMENTATION PLANS

Our Group will endeavour to achieve the following milestone events during the period from the Listing Date to 31 December 2017, and the respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our Group’s business plans will materialise in accordance with the estimated time frame and that our Group’s future plans will be accomplished at all.

	From the Listing Date to 31 December 2015 (HK\$ million)	For the six months ending 30 June 2016 (HK\$ million)	For the six months ending 31 December 2016 (HK\$ million)	For the six months ending 31 June 2017 (HK\$ million)	For the six months ending 31 December 2017 (HK\$ million)	Approximate percentage of net proceeds Total (HK\$ million)	(%)
Strengthening Research and Development Capabilities							
• Increase original contents in Platforms and improve user interface	2.1	2.1	2.8	2.8	4.2	14.0	
• Develop new web-based and Mobile APPs CBM products to maintain market position	—	3.3	3.3	4.8	4.9	16.3	
• Develop interactive family entertainment system products, early learning products and early learning centre management system	—	3.3	3.3	4.8	4.9	16.3	
Subtotal	2.1	8.7	9.4	12.4	14.0	46.6	20.0

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

	From the Listing Date to 31 December 2015 (HK\$ million)	For the six months ending 30 June 2016 (HK\$ million)	For the six months ending 31 December 2016 (HK\$ million)	For the six months ending 31 June 2017 (HK\$ million)	For the six months ending 31 December 2017 (HK\$ million)	Approximate percentage of net proceeds Total (HK\$ million)	Approximate percentage of net proceeds (%)
Enhance the user base and Internet traffic of our Platform							
• Increase number of visits of our PC Web through securing entrance slots in search engines and navigation sites	2.4	2.4	2.4	4.2	4.9	16.3	
• Increase the number of downloads and use of our Mobile APPs through obtaining entrances slots in online APP stores	2.4	2.4	2.4	4.2	4.9	16.3	
• Marketing of interactive family entertainment system product and early learning	—	2.8	2.8	2.8	5.6	14.0	
<i>Subtotal</i>	4.8	7.6	7.6	11.2	15.4	46.6	20.0
Develop our e-commerce business and related O2O business							
• Expand and diversify our e-commerce platform	3.5	3.5	3.5	5.8	7.0	23.3	
• Increase the O2O elements in our Mobile APPs	3.5	3.5	4.7	—	—	11.7	
• Develop and marketing fetal heart monitoring device (胎心儀) and other smart-hardware devices that can connect with our Mobile APP	1.7	1.7	1.7	2.9	3.6	11.6	
<i>Subtotal</i>	8.7	8.7	9.9	8.7	10.6	46.6	20.0
Acquisition of or investment in other companies engaging in O2O and CBM related businesses							
	—	—	—	—	46.6	46.6	20.0
Enhancing marketing and promotional services							
	2.3	3.5	4.7	5.8	7.0	23.3	10.0
Working capital and other general corporate purposes							
	2.3	3.5	4.7	5.8	7.0	23.3	10.0
Total	20.2	32.0	36.3	43.9	100.6	233	100.0

BASES AND ASSUMPTIONS

Potential investors should note the attainability of our Group's business objectives depends on a number of assumptions, in particular:

- there will be material changes in the existing political, legal, fiscal, social or economic conditions in China or in any other places in which any member of our Group carries on its business or will carry on its business;

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the bases or rates of taxation in China or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations whether in China or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our Group's business relationship with our Group's existing strategic and business partners;
- there will be no significant changes in our Group's business relationship with our customers or suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed "Implementation plans" in this section; and
- our Group will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus.

REASONS OF THE PLACING AND THE USE OF PROCEEDS

We believe that the Placing will enhance our profile, strengthen our industry competitiveness and financial position, and provide us with additional working capital to implement our future plans set out in this prospectus. The net proceeds from the issue of new Shares under the Placing are estimated to be approximately HK\$233.0 million, after deducting the underwriting commission and estimated total expenses in the aggregate amount of approximately HK\$33.0 million, paid and payable by our Company from the gross proceeds from the Placing, and based on the Placing Price of HK\$1.33 per Placing Share, being the mid-point of the Placing Price range stated in this prospectus. If the Placing Price is fixed at the high-end of the indicative Placing Price range, being HK\$1.45 per Placing Share, the net proceeds will increase by approximately HK\$30.0 million. If the Placing Price is fixed at the low-end of the indicative Placing Price range, being HK\$1.20 per Placing Share, the net proceeds will decrease by approximately HK\$32.5 million.

We intend to apply the aforesaid net proceeds in the following manner from Listing to 31 December 2017:

- approximately 20% of the total estimated net proceeds, or approximately HK\$46.6 million, will be used to strengthen our research and development capabilities in order to (i) develop and increase the variety of APPs, (ii) enrich the original contents in our different Platforms and (iii) to develop interactive family entertainment system products and early learning products and management systems. We intend to develop interactive family entertainment system products that are suitable for families with young children. We envisioned that it

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

will be in the form of interactive software for PC, mobile APPs, tablet computers, or interactive toys that are designed to nurture parent-child relationship, facilitate children's early learning, or as entertainment for children, which can be accessed online. We also plan to develop products in the form of multimedia such as cartoons as well as other non-digital forms such as children story books, which will serve as tools for children's early learning. In addition, we intend to develop management systems that can be used by learning centres and kindergartens in class or facilities management;

- approximately 20% of the estimated net proceeds, or approximately HK\$46.6 million, will be used to enhance the user base and Internet traffic of our Platform. This will be achieved through placing advertisements in other CBM websites, as well as access points from other websites so potential users may be redirected to our Platform;
- approximately 20% of the estimated net proceeds, or approximately HK\$46.6 million, will be used to develop our e-commerce business and related O2O businesses. This will be achieved through placing advertisements in other CBM websites, hiring experienced and talented staff as the business expands, and through other forms of promotions such as issuing coupons to attract new customers. In addition, to enhance our O2O business, we will place advertisements in areas where most customers reside and recruit new members in these areas;
- approximately 20% of the estimated net proceeds, or approximately HK\$46.6 million, will be used to expand our businesses through acquisition of or investment in other CBM related businesses. As at the Latest Practicable Date, we have not identified any target for acquisition or investment. We may consider engaging agents and consultants to assist us to identify potential CBM related businesses for acquisition in the future;
- approximately 10% of the estimated net proceeds, or approximately HK\$23.3 million will be used in enhancing our marketing and promotional services, including the organizing more social activities and to expand our marketing and promotion teams. We intend to increase the average number of sales staff from 34 in 2014 to 44 in 2015 in order to strengthen our marketing and promotion service in 2015; and
- approximately 10% of the estimated net proceeds, or approximately HK\$23.3 million, will be used as general working capital and other general corporate purposes.

To the extent that our net proceeds are either more or less than expected, for instance, in the event that the Placing Price is set at the high-end of the indicative Placing Price range or the Placing Price is set at the low-end of the indicative Placing Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

According to the current estimates, our Group expects that the net proceeds from the issue of new Shares under the Placing in the sum of approximately HK\$233.0 million will be sufficient to finance the implementation our Group's current future plans up to 31 December 2017. In the event that the net proceeds from the Placing are insufficient to finance the expenditure as mentioned above, the shortfall will be financed by the internal resources of our Group.

To the extent that the net proceeds from the Placing are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts with licenced banks and/or authorised financial institutions in Hong Kong so long as it is in our interest. Any deficiency in funding for the above-mentioned projects will be financed through internal funds and/or bank borrowings.

We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares, based on the Placing Price of approximately HK\$1.33 per Placing Share, being the mid-point of the indicative Placing Price range (after deducting of proportional underwriting commissions payable by the Shareholder in relation to the Placing of HK\$2.3 million), will be approximately HK\$64.2 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into agreements with three cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”) who in aggregate have agreed to subscribe at the Placing Price such number of Placing Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be subscribed for with the Hong Kong dollars equivalent of US\$12 million in aggregate calculated at the basic exchange rate to be quoted by Deutsche Bank AG on 23 June 2015 (collectively, the “**Cornerstone Placing**”). Assuming a Placing Price of HK\$1.20, HK\$1.33 and HK\$1.45 (being the minimum, mid-point and maximum of the indicative Placing Price range set forth in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors in aggregate will be approximately 77,496,000, 69,922,000 and 64,136,000 Shares, respectively (the “**Cornerstone Investor’s Shares**”), representing approximately 7.7%, 7.0% and 6.4% of our Shares in issue immediately after the completion of the Placing (assuming that (i) the Over-allotment Option is not exercised; (ii) no Shares will be issued pursuant to the exercise of options under the Share Option Scheme; and (iii) the exchange rate of US\$1.00: HK\$7.75 is used). Details of the actual number of Placing Shares to be allocated to the Cornerstone Investors will be disclosed in the announcement of results of allocations to be issued by us on or about 7 July 2015.

To the best knowledge of our Directors, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party, not an existing Shareholder of our Company and independent from each other. Immediately following the completion of the Placing, 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. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing. The Cornerstone Investors’ Shares will rank pari passu with the fully paid Shares then in issue and will be counted towards the public float of our Shares under Rule 11.23 of the GEM Listing Rules.

Subject to the fulfillment of the conditions precedent as disclosed below, the Cornerstone Investors shall subscribe the Cornerstone Investors’ Shares pursuant to, and as part of, the Placing. The Cornerstone Investors will not subscribe for any Shares under the Placing other than pursuant to the relevant cornerstone investment agreement.

CORNERSTONE INVESTORS

Cornerstone Investors	Investment amount (US\$ million)	Number of Placing Shares subscribed ⁽¹⁾	Approximate percentage of total number of Shares initially offered under the Placing (%)	Approximate percentage of total number of Shares in issue following the completion of the Placing (%) ⁽²⁾
Las Cases Capital	2	11,654,000	4.7	1.2
Town Health Corporate Advisory and Investments Limited	5	29,134,000	11.7	2.9
Ever Robust Holdings Limited	5	29,134,000	11.7	2.9

Notes:

- (1) Based on the Placing Price of HK\$1.33 (being the mid-point of the indicative Placing Price range), rounded down to the nearest whole board lot of 2,000 Shares and assuming the exchange rate of US\$1.00:HK\$7.75 is used.
- (2) Assuming Over-allotment Option is not exercised and no Shares will be issued pursuant to the exercise of options under the Share Option Scheme.

OUR CORNERSTONE INVESTORS

We set out below a brief description of each of our Cornerstone Investors:

Las Cases Capital is a venture capital fund incorporated in the BVI and solely owned by Mr. Liu Hsin Ping, an Independent Third Party. Mr. Liu Hsin Ping is a Taiwan seasoned venture capitalist and is an independent director of Siltrontech Electronics Corp, a director of AME Inc, AcBel Polytech Inc, Jess-Link Products Co Ltd and Service & Quality Technology Inc, all of which are listed on the Taiwan Stock Exchange.

Town Health Corporate Advisory and Investments Limited is a company incorporated in Hong Kong with limited liability in November 2004. It is an indirect wholly-owned subsidiary of Town Health International Medical Group Limited (together with its subsidiaries, the “**TH Medical Group**”), a company incorporated in the Cayman Islands and continued in Bermuda which shares are listed on the main board of the Stock Exchange (stock code: 3886). TH Medical Group is principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare and related services; and (iii) properties and securities investments and trading. TH Medical Group is one of the largest and leading private healthcare institutes in Hong Kong with an extensive network of clinics in Hong Kong and the PRC. TH Medical Group offers a diversified range of general practice, special and multidisciplinary healthcare services, involving family medicine and specialty medicine, dentistry, paramedical services and preventive healthcare services.

Ever Robust Holdings Limited is a company incorporated in Hong Kong with limited liability on 25 June 2013. It is a wholly-owned subsidiary of China Mobile Games and Cultural Investment Limited, a company incorporated in the Cayman Islands which shares are listed on GEM (stock code: 8081). China Mobile Games and Cultural Investment Limited and its subsidiaries are principally engaged in (i) mobile-online game business and provision of games related integral marketing services; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services; and (v) securities investments business.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Underwriting Agreement being entered into and having become unconditional (in accordance with its terms or as subsequently varied by agreement of the relevant parties thereto) by no later than the time and the date specified therein;
- (ii) the Underwriting Agreement not having been terminated;
- (iii) the Stock Exchange having granted the listing of, and permission to deal in, the Placing Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; and
- (iv) no statute, rule or regulation shall have been enacted or promulgated by any governmental authority of any relevant jurisdiction which prohibits the consummation of the investment and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting consummation of the investment.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that, without the prior written consent of each of our Company and the Sole Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, (i) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of its respective Cornerstone Investor's Shares or any interest therein or any voting right or any other right attaching thereto; 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 such share capital or securities or interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction directly with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. Each Cornerstone Investor may transfer its respective Cornerstone Investor's Shares so subscribed for in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

After the expiry of the aforesaid lock-up period, each of the Cornerstone Investors will be free to dispose of any of its Shares and it shall not knowingly dispose of any of its Shares to create a disorderly or false market and is otherwise in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the GEM Listing Rules and such other applicable laws.

UNDERWRITING

UNDERWRITERS

China Everbright Securities (HK) Limited
BMI Securities Limited
Innovax Capital Limited

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company and the Selling Shareholder will conditionally place the Placing Shares with institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, (ii) the Price Determination Agreement being entered into on or before the Price Determination Date, and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Sole Global Coordinator and Underwriters have severally agreed to subscribe for or purchase or procure subscribers for or purchase their respective applicable proportions of the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Underwriters and the Sole Sponsor) shall have the absolute right upon giving a written notice to our Company (on behalf of the other parties thereto other than the Sole Sponsor, the Sole Global Coordinator and the Underwriters) to terminate the Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on 8 July 2015)

- (a) there comes to the notice of the Sole Sponsor or the Sole Global Coordinator together:
 - (i) any statement contained in this prospectus, the formal notice, any submissions, documents or information provided to the Sole Sponsor or the Sole Global Coordinator, any announcements or documents issued by our Company (for itself and on behalf of the Selling Shareholder) in connection with the Placing (including any supplement or amendment thereto) (the “**Relevant Documents**”), considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion was, when its was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of such documents are not, in the reasonable opinion of the Sole Sponsor or the Sole Global Coordinator together, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion to be material in the context of the Placing;
 - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion to be material in the context of the Placing (other than upon any of the Underwriters) (as the case may be);
 - (iv) either (A) there has been a breach of any of the warranties or provisions of the Underwriting Agreement by any of the warrantors or (B) any matter or event showing or rendering any of the warranties, as applicable, in the reasonable opinion of the Sole Sponsor or the Sole Global Coordinator together, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated;
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the warrantors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;
 - (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
 - (vii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated subscription of the Placing Shares); or
 - (viii) any person (other than the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to SARS, MERS, H1N1 flu, H5N1 and H7N9 and other related or mutated forms), accidents, interruption or delay in transportation, any local,

UNDERWRITING

national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong, the PRC, the BVI or Cayman Islands or any other jurisdictions relevant to any member of our Group or the Placing (the “**Relevant Jurisdictions**”);

- (ii) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar or Renminbi against any foreign currency;
- (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations 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 the Relevant Jurisdictions;
- (iv) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;
- (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus;
- (vii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director;
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman of the Board or chief executive officer of our Company vacating his office in circumstances where the operations of our Group may be adversely affected;
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take such action;

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- (xi) any contravention by any member of our Group or any Director of the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws;
- (xii) a prohibition on our Company or the Selling Shareholder for whatever reason from allotting or issuing the New Shares or selling the Sale Shares pursuant to the terms of the Placing;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription or purchase of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws;
- (xiv) other than with the written approval of the Sole Global Coordinator, the issue or requirement to issue by our Company (for itself and on behalf of the Selling Shareholder) of a supplement or an amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription of the New Shares or sale of the Sale Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules;
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xvi) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (xvii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group);
- (xviii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our 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 our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertakings of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;
- (xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;

UNDERWRITING

(xx) any change or development in the conditions of local, national or international equity securities or other financial markets; or

(xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any government authority; or

(c) such other events or circumstances,

which in each case or in aggregate in the absolute opinion of the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Underwriters):

(A) is or will be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;

(B) has or will have a material adverse effect on the success, marketability or pricing of the Placing or the level of interest under the Placing;

(C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or

(D) has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof,

then the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Underwriters) may in its/their absolute discretion, upon giving notice in writing to the Company (for itself and on behalf of the Selling Shareholder), terminate the Underwriting Agreement with immediate effect.

UNDERWRITING

Undertakings

- (A) (a) Each of the Controlling Shareholders jointly and severally, undertakes to and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that,
- (i) it/he/she shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period of six months commencing on the date by reference to which disclosure of their shareholding is made in this prospectus (the “**First Six-month Period**”) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-up Securities**”); and
 - (ii) it shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Lock-up Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders will cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company.
- (b) Each of the Controlling Shareholders undertakes to and covenants with each of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that:
- (i) in the event that it or he pledges or charges any of its/his/her direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (a) above, each of the Controlling Shareholders must inform our Company, the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Underwriters), immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (ii) having pledged or charged any of its/his/her interests in the Shares under paragraph (i) above each of the Controlling Shareholders must inform our company, the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Underwriters), immediately in the event that it/he/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.
- (B) Our Company undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator and the Underwriters that it shall not (and shall procure each other member of our Group not to), unless in compliance with the requirements of the GEM Listing Rules (including

UNDERWRITING

but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Placing, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme, at any time during the First Six-month Period,

- (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 our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company, with a 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 our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not such transaction will be completed within the First Six-month Period).

Total commission, fee and expenses

In connection with the Placing, the Sole Global Coordinator and the Underwriters will receive an underwriting commission of 3.5% of the aggregate Placing Price of all the Placing Shares, which is payable by our Company and the Selling Shareholder on a pro rata basis. If any of the Over-allotment Option is exercised, the underwriting commission will be calculated in the same manner with the Placing Shares initially available for subscription and purchase. Our Company and the Selling Shareholder may also in our sole discretion pay any one or more of the Underwriters an additional incentive fee up to 0.5% of the aggregate Placing Price.

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Assuming the Over-allotment Option is not exercised, and based on a Placing Price of HK\$1.33 per Share, being the mid-point of the Placing Price, the underwriting commission is estimated to be approximately RMB9.2 million, together with the listing fees, the SFC transaction levy of 0.0027% per Placing Share, Stock Exchange trading fee of 0.005% per Placing Share, shall be borne by our Company and the Selling Shareholder in proportion to the amount of the Placing Shares issued or sold by the Underwriters under the Placing. The legal and other professional fees and printing and other expenses relating to the Listing of the existing Shares (including the Sale Shares) and the New Shares shall be borne by our Company.

Our Company has agreed to indemnify the Sole Global Coordinator and the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by our Company of the Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

SOLE SPONSOR'S, SOLE GLOBAL COORDINATOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Save as disclosed above, none of the Sole Sponsor, the Sole Global Coordinator and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Placing.

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

Subject to the exercise of the Over-allotment Options, our Company is initially offering 200,000,000 new Shares for subscription by way of the Placing and the Selling Shareholder are offering for sale 50,000,000 Sale Shares by way of Placing, in aggregate representing approximately 25% of the issued share capital of our Company upon completion of the Placing.

The Placing is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement, including the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) agreeing on the Placing Price). Pursuant to the Placing, it is expected that the Underwriters, on behalf of our Company, will conditionally place 250,000,000 Placing Shares at the Placing Price to selected institutional, professional and/or other investors in Hong Kong.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:-

- (a) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (b) the Price Determination Agreement having been executed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and becoming effective on the Price Determination Date; and
- (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 July 2015, being the date which is the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the GEM Website and the website of our Company at www.ci123.com on the next business day following such lapse. Details of the Underwriting Agreement and grounds for termination are set out in the section headed “Underwriting” in this prospectus.

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected professional, institutional and/or other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which

STRUCTURE AND CONDITIONS OF THE PLACING

would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.

Save with the prior written consent of the Stock Exchange or with the disclosure of the name of the ultimate beneficiary, no allocations will be permitted to nominee companies. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

PLACING PRICE

The Placing Price will not be more than HK\$1.45 per Placing Share and is expected to be not less than HK\$1.20 per Placing Share. Subscribers, when subscribing for the Placing Shares, shall pay the Placing Price plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK\$1.45 or HK\$1.20 per Placing Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$2,929.23 and HK\$2,424.18 for every board lot of 2,000 Shares, respectively.

The Placing Price will be fixed by an agreement expected to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date which is scheduled on or about 30 June 2015 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree. If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price on or before the Price Determination Date, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus.

If the Sole Global Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company, considers it appropriate (for instance, if based on the level of interest expressed by prospective investors), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such case, our Company shall, as soon as practicable following the decision to make the aforesaid reduction, cause to be published on the GEM Website and the website of our Company at www.ci123.com notice of the reduction of the indicative Placing Price range.

The final Placing Price, the indication of level of interest in the Placing and the basis of allocation of the Placing Shares will be announced on the GEM Website and the website of our Company at www.ci123.com on or before 7 July 2015.

STRUCTURE AND CONDITIONS OF THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Division of the Stock Exchange grants the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM, and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by the 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. All necessary arrangements have been made for the Shares to be admitted into CCASS.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on 8 July 2015. Shares will be traded in board lots of 2,000 Shares and are fully transferrable. The GEM stock code for the Shares is 8361.

OVER-ALLOTMENT OPTION

The Sole Global Coordinator can exercise the Over-allotment Option to cover over-allocations under the Placing. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares at the final Placing Price, representing approximately 15% of the Placing Shares initially available under the Placing.

If the Over-allotment Option is exercised in full, the additional Placing Shares will represent approximately 3.61% of the enlarged issued share capital of our Company in issue following completion of the Placing and the exercise of the Over-allotment Option but without taking into account any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

Our Company will disclose in an announcement on whether the Over-allotment Option is exercised.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the

STRUCTURE AND CONDITIONS OF THE PLACING

market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Placing, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 37,500,000 additional Shares, being the number of the Shares that may be available under the Over-allotment Option. Such stabilizing actions may include over-allocating Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Loyal Alliance or through a combination of these means or otherwise.

However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“primary stabilising action”) with respect to any Shares during the stabilisation period, which should end on the 30th day after the Listing Date:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;
 - (i) allocate a greater number of Shares than the number that is initially offered under the Placing; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
 - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilizing action in order to liquidate any position that has been established by such action; and/or

STRUCTURE AND CONDITIONS OF THE PLACING

- (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c). Investors should be aware:
- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
 - that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
 - of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
 - that stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the Listing Date, that the stabilising period is expected to expire on 7 August 2015, and that after this date, when no further stabilizing action may be taken, demand for our Shares, and therefore its price could fall;
 - that the price of our Shares cannot be assured to stay at or above the Placing Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Placing Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

STOCK BORROWING ARRANGEMENT

In connection with the Placing, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Placing Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 37,500,000 Shares from Loyal Alliance, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Stock borrowing arrangement is not subject to the restrictions of rule 13.15(5)(a) of the GEM Listing Rules provided that the requirements set forth in Rule 13.15(5) of the GEM Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the Placing;
- the maximum number of Shares borrowed from Loyal Alliance will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

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- the same number of Shares so borrowed must be returned to Loyal Alliance or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable GEM Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Loyal Alliance by the Sole Global Coordinator in relation to the stock borrowing arrangement.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the company, Ernst & Young, Certified Public Accountants, Hong Kong.



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

30 June 2015

The Board of Directors
China Parenting Network Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of China Parenting Network Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2013 and 2014 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2013 and 31 December 2014 and the statement of financial position of the Company as at 31 December 2014, together with the notes thereto (the “Financial Information”), prepared on the basis of presentation set out in note 1.2 of Section II below, for inclusion in the prospectus of the Company dated 30 June 2015 (the “Prospectus”) in connection with the listing of the shares of the Company on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 2014. Pursuant to a group reorganization (the “Reorganization”) as more fully explained in the section headed “History and Corporate Structure” to the Prospectus, the Company became the holding company of the subsidiaries comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1.1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the

companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1.1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards (“IFRSs”), which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and interpretations, issued by the International Accounting Standards Board (the “IASB”). The Underlying Financial Statements for each of the years ended 31 December 2013 and 2014 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 1.2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2013 and 2014 and of the Company as at 31 December 2014 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the Year Ended	
		31 December	
		2014	2013
		RMB'000	RMB'000
REVENUE	5	53,433	39,368
Cost of sales		<u>(4,749)</u>	<u>(4,358)</u>
Gross profit		48,684	35,010
Other income and gains	5	743	63
Administrative expenses		(7,769)	(2,251)
Selling and distribution expenses		(6,116)	(4,980)
Research and development costs		<u>(15,703)</u>	<u>(19,511)</u>
Profit before tax	6	19,839	8,331
Income tax expense	9	<u>(252)</u>	<u>(1,413)</u>
Profit and other comprehensive income for the year		<u>19,587</u>	<u>6,918</u>
Profit attributable to:			
Owners of the parent		13,645	4,817
Non-controlling interests		<u>5,942</u>	<u>2,101</u>
		<u>19,587</u>	<u>6,918</u>
Total comprehensive income attributable to:			
Owners of the parent		13,645	4,817
Non-controlling interests		<u>5,942</u>	<u>2,101</u>
		<u>19,587</u>	<u>6,918</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (expressed in RMB per share)	12	<u>13,645</u>	<u>4,817</u>

Details of the dividend payable and declared to the then shareholders for the Relevant Periods are disclosed in note 11 to the Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	13	970	1,415
Long-term receivables	24	<u>305</u>	<u>31</u>
Total non-current assets		<u>1,275</u>	<u>1,446</u>
CURRENT ASSETS			
Inventories	14	53	—
Trade receivables	15	27,947	22,636
Prepayments, deposits and other receivables	16	2,737	1,322
Cash and cash equivalents	17	<u>9,618</u>	<u>10,932</u>
Total current assets		<u>40,355</u>	<u>34,890</u>
CURRENT LIABILITIES			
Trade payables	18	92	—
Advances from customers	19	112	104
Other payables and accruals	20	8,366	5,826
Tax payable	9	1,626	1,376
Dividend payable	11	11,699	—
Due to a related company	27	<u>—</u>	<u>9,183</u>
Total current liabilities		<u>21,895</u>	<u>16,489</u>
Net current assets		<u>18,460</u>	<u>18,401</u>
Total assets less current liabilities		<u>19,735</u>	<u>19,847</u>
Net assets		<u><u>19,735</u></u>	<u><u>19,847</u></u>

	<i>Notes</i>	As at 31 December 31	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to owners of the parent			
Share capital	21	—	—
Reserves	22	<u>19,865</u>	<u>16,077</u>
		19,865	16,077
Non-controlling interests		<u>(130)</u>	<u>3,770</u>
		19,735	19,847
Total equity		<u><u>19,735</u></u>	<u><u>19,847</u></u>

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2014 RMB
NON-CURRENT ASSETS		
Investments in subsidiaries	23	<u>8</u>
Total non-current assets		<u>8</u>
Total current liabilities		<u>—</u>
Total assets less current liabilities		<u>8</u>
Net assets		<u><u>8</u></u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital		<u>8</u>
Total equity		<u><u>8</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent			Non-		Total RMB'000
	Share capital RMB'000	Reserves RMB'000 (note 22)	Retained profits RMB'000 (note 22)	Total	controlling interests RMB'000	
At 1 January 2013	—	2,223	4,037	6,260	1,669	7,929
Profit for the year	—	—	4,817	4,817	2,101	6,918
Total comprehensive income for the year	—	—	4,817	4,817	2,101	6,918
Capital contribution by equity holders	—	5,000	—	5,000	—	5,000
Appropriation to statutory reserves	—	711	(711)	—	—	—
At 31 December 2013 and 1 January 2014	—	7,934	8,143	16,077	3,770	19,847
Profit for the year	—	—	13,645	13,645	5,942	19,587
Total comprehensive income for the year	—	—	13,645	13,645	5,942	19,587
Acquisition of non-controlling interests upon completion of the Reorganization	—	9,842	—	9,842	(9,842)	—
Final 2014 dividend declared	—	—	(19,699)	(19,699)	—	(19,699)
Appropriation to statutory reserves	—	2,034	(2,034)	—	—	—
At 31 December 2014	—	19,810	55	19,865	(130)	19,735

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Year Ended	
		31 December	
	<i>Notes</i>	2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	19,839	8,331
Adjustments for:			
Allowance for doubtful accounts	15	36	—
Interest income	5	(377)	(53)
Depreciation	13	639	504
		<u>20,137</u>	<u>8,782</u>
Increase in long-term receivables	24	(274)	—
Increase in inventories	14	(53)	—
Increase in trade receivables	15	(5,347)	(7,278)
Increase in prepayments, deposits and other receivables	16	(84)	(442)
Increase in trade payables		92	—
Increase/(decrease) in advances from customers	19	8	(139)
Decrease in other payables and accruals	20	2,541	2,514
		<u>17,020</u>	<u>3,437</u>
Cash generated from operations		17,020	3,437
Income tax paid	9	(2)	(37)
		<u>17,018</u>	<u>3,400</u>
Net cash flows from operating activities		<u>17,018</u>	<u>3,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	377	53
Purchases of items of property, plant and equipment	13	(234)	(1,176)
Proceeds from disposal of items of property, plant and equipment		40	—
		<u>183</u>	<u>(1,123)</u>
Net cash flows from /(used in) investing activities		<u>183</u>	<u>(1,123)</u>

	<i>Notes</i>	For the Year Ended	
		31 December	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of the amount due to a related party	27	(9,183)	—
Advance from a related party			2,976
Dividend declared and paid to then shareholders	11	(8,000)	—
Contribution from the shareholder	22	—	5,000
Prepayment for Listing expenses	16	<u>(1,332)</u>	<u>—</u>
Net cash flows (used in)/from financing activities		<u>(18,515)</u>	<u>7,976</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>(1,314)</u>	<u>10,253</u>
Cash and cash equivalents at beginning of year	17	<u>10,932</u>	<u>679</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	<u><u>9,618</u></u>	<u><u>10,932</u></u>

II. NOTES TO THE FINANCIAL INFORMATION

1.1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 October 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries are principally engaged in (i) the provision of marketing and promotional service through the Group's platform, including PC Web, Mobile Web, Mobile APPs and IPTV APPs; and (ii) e-commerce business (collectively, the "Listing Businesses") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" under the section "History and Corporate Structure" to the Prospectus.

Upon completion of the Reorganization and as at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company Name	Place of incorporation/ registration and business	Issued/registered share capital	Equity Interest Held		Principal Activities and Place of Operation	Note
			Direct	Indirect		
Directly held by the Company						
Shining World Investments Limited	British Virgin Islands/ 18 August 2014 ("BVI")	US\$50,000	100%	—	Investment holding, BVI	(1)
Indirectly held by the Company						
Star Universal Holdings Limited	Hong Kong/ 5 September 2014	HK\$10,000	—	100%	Investment holding, HK	(2)
Xibai (Nanjing) Information Technology Company Limited* (Nanjing Xibai)	PRC/ 10 December 2014	HK\$15,000,000	—	100%	Technical support and consultancy related services, the PRC	(2)

Company Name	Place of incorporation/ registration and business	Issued/registered share capital	Equity Interest Held		Principal Activities and Place of Operation	Note
			Direct	Indirect		
Nanjing Xinchuang Micro Electromechanical Technology Co., Ltd. * (Nanjing Xinchuang)	PRC/ 14 April 2005	RMB 2,000,000	—	100%	Provision of marketing and promotional services and e-commerce business, the PRC	(3)
Nanjing Xihui Information Technology Co., Ltd.* (Nanjing Xihui)	PRC/ 24 May 2013	RMB5,000,000	—	100%	Provision of marketing and promotional services and technical support and consultancy related services, the PRC	(3)
Nanjing Fuyuan Technology Co., Ltd.* (Nanjing Fuyuan)	PRC/ 30 March 2006	RMB 3,000,000	—	66.7%	Provision of technical support and consultancy related services, the PRC	(4)

*: The English names of certain companies referred to herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

Notes:

- (1) No audited financial statements have been prepared by these companies as they are incorporated in jurisdictions which do not have any statutory audit requirements. The issued/registered capital was not yet paid.
- (2) No statutory financial statements were available for each of the years ended 31 December 2013 as it was newly incorporated in 2014. As at the date of this report, the statutory financial statements for the year ended 31 December 2014 are not available. The issued/registered capital was not yet paid.
- (3) The statutory financial statements for the Relevant Periods prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006 and other related regulations (collectively "PRC GAAP") were audited by Jiangsu Guoqiao Certified Public Accountants ("江蘇國僑會計師事務所"), certified public accountants registered in the PRC.
- (4) No statutory financial statements for the Relevant Periods have been audited as they were not required pursuant to Provisional Regulations on Disclosure of Enterprise Information promulgated and approved by the State Council on 7 August 2014 which started to take effect on 1 October 2014.

1.2 BASIS OF PRESENTATION

In the opinion of the directors of the Company, as at the date of this report, our controlling shareholders include Ms Li Juan and Mr. Cheng Li who entered in concert party agreement dated 14 July 2011 pursuant to which they agreed to act unanimously towards the governing of Jiangsu Xi'an Information Technology Company Limited ("Jiangsu Xi'an") and Nanjing Xinchuang. Pursuant to a supplemental agreement dated 14 February 2015, the original concert party agreement will automatically terminate upon Listing. At the material time, Ms. Li Juan and Mr. Cheng Li desired to have more flexibility in dealing with their respective investments after the Listing. Based on such commercial decision, they had decided to terminate the concert party arrangement among themselves upon Listing. Nevertheless, in order to ensure the continuity and stability of the operations of, and to maintain and enhance the control over, the Company for the purpose of satisfying the Draft New Law, Ms. Li Juan and Mr. Cheng Li subsequently entered into another concert party agreement dated 19 June 2015, pursuant to which, with effect from the Listing, they agreed to act unanimously towards the exercise of their respective voting powers at general meetings of the Company.

Pursuant to the Reorganization as more fully explained in the paragraph headed "Reorganization" under the section "History and Corporate Structure" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 30 December 2014.

During the Relevant Periods, the Listing Businesses were carried out by Nanjing Xihui and Nanjing Xinchuang (collectively "PRC Contractual Entities"). The PRC Contractual Entities were under the control of Ms. Li Juan and Mr. Cheng Li, and through the contractual agreement as detailed in note 2.3 below ("Contractual Agreements"), both the PRC Contractual Entities and the business carried out by them are under the effective control of Nanjing Xibai, and ultimately the Company. The companies now comprising the Group were under the common control of Ms. Li Juan and Mr. Cheng Li before and after the Reorganization. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of Ms. Li Juan and Mr. Cheng Li, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in RMB, and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information:

IAS 1 Amendments	<i>Disclosure Initiative</i> ²
IFRS 9	<i>Financial Instruments</i> ⁴
IFRS 10, IFRS 12 and IAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i> ²

IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of assets between an Investor and its Associate or Joint ventures²</i>
IFRS 11 Amendments	<i>Accounting for Acquisition of Interests in Joint Operations²</i>
IFRS 14	<i>Regulatory Deferral Accounts²</i>
IFRS 15	<i>Revenue from Contracts with Customers³</i>
IAS 16 Amendments	<i>Agriculture: Bearer Plants²</i>
IAS 16 and IAS 38 Amendments	<i>Amendments to IAS 16 Property, Plant and Equipment and IAS 38; Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation²</i>
IAS 19 Amendments	<i>Amendments to IAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions¹</i>
IAS 27 Amendments	<i>Equity Method in Separate Financial Statements²</i>
<i>Annual Improvements</i>	<i>Annual Improvements to IFRSs 2010-2012 Cycle¹</i>
<i>Annual Improvements</i>	<i>Annual Improvements to IFRSs 2011-2013 Cycle¹</i>
<i>Annual Improvements</i>	<i>Annual Improvements to IFRSs 2012-2014 Cycle²</i>

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

The Group expects to adopt those new and revised IFRSs upon mandatory effective dates and is in the process of making an assessment of the impact of these new and revised IFRSs on the Group's results of operations and financial position upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.3 SUBSIDIARIES

Subsidiaries, including the PRC Contractual Entities, are entities, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's consolidated statements of profit or loss and other comprehensive income to the extent of dividends received and receivable.

Subsidiaries arising from the Reorganization

The PRC Contractual Entities have entered into certain contractual agreements with Nanjing Xibai, and Ms. Li Juan and Mr. Cheng Li who are the legal shareholders of the PRC Contractual Entities. The contractual agreements became effective on 30 December 2014, respectively. In particular, Nanjing Xibai undertakes to provide the PRC Contractual Entities with certain technical services as required to support their operations. In return, the Group is entitled to substantially all of the operating profits and residual benefits generated by the PRC Contractual Entities through intercompany charges levied on these services rendered. The legal shareholders of PRC Contractual Entities are also required to transfer their interests in the PRC Contractual Entities to the Group or the Group's designee upon a request made by the Group when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in the PRC Contractual Entities have also been pledged by the legal shareholders of PRC Contractual Entities to the Group in respect of the continuing obligations of the PRC Contractual Entities. Nanjing Xibai has not provided any financial support that it was not previously contractually required to do so to the PRC Contractual Entities during the Relevant Periods. Nanjing Xibai intends continuously to provide to or assist the PRC Contractual Entities in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with the PRC Contractual Entities and has the ability to affect those returns through its power, and thus control over the PRC Contractual Entities.

2.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.5 RELATED PARTIES

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.6 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment used are as follows:

Computers and servers	3-5 years
Office equipment	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.7 RESEARCH AND DEVELOPMENT COSTS

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.8 LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.9 INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognized initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

The subsequent measurement of financial assets applies the rule as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

2.10 DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party

under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.11 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

2.12 FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as other payables and accruals, as appropriate.

During the reporting period, the Group's financial liabilities included trade payables, other payables and an amount due to a related party.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.13 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

2.14 INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.15 GOVERNMENT GRANTS

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.16 REVENUE RECOGNITION

The Group derives its revenue from (i) the provision of marketing and promotional service of placing online advertisements such as banners, links and logos on its own website or mobile APP in the PRC, and (ii) e-commerce business. Revenue reported in the Financial Information is net of sales tax and related surcharges.

The majority of the online advertising contracts are entered with a lump-sum consideration covering multiple deliverables of marketing and promotional service for a fixed period of time with no guaranteed minimum number of clicks. The lump-sum consideration and timing of rendering each deliverable have been pre-agreed and evidenced by written contracts entered into between the Group and its customers. The consideration is allocated into each deliverable based on their best estimated selling price, and the related revenue is recognized over the period during which the service for the relevant deliverable is provided. Significant assumptions and estimates have been made in estimating the selling price of each unit of deliverable, and changes in judgements on these assumptions and estimates could materially impact the timing of advertising revenue recognition. In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the number of clicks. If collectability from the customers cannot be assessed as reasonably assured at the outset of the contracts, revenue is only recorded until cash is received from the customers.

Revenue from the delivery of action-based advertisement (e.g., website redirecting) is recognized, when statement from third party is received to confirm the actions have been completed successfully.

Commencing from September 2014, the Group has engaged in e-commerce business, which comprises the sale of products related to children, babies and maternity. Revenue is recognized when the products have been delivered to and accepted by the customers. Prepayment is normally required prior to delivery of products.

2.17 EMPLOYEE BENEFITS

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.18 FOREIGN CURRENCY TRANSLATION

The functional currency of the Company is the Hong Kong dollar ("HK\$") and certain subsidiaries incorporated outside Mainland China use either the Hong Kong dollar ("HK\$") or the United State dollar (US\$) as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of the non-PRC established subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period and the profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity until the disposal of the respective foreign operation entity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of the non-PRC established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the non-PRC established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.19 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of inventories comprises cost of purchasing finished goods. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement uncertainty

Recoverability for revenue recognition

When the collectability from certain customers is not reasonably assured at the outset of the contracts, the Group does not recognize any revenue until cash is received assuming other revenue recognition criteria have been met.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgments and estimates. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade and other receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade and other receivables amounted to nil and RMB36,000 in the years ended 31 December 2013 and 2014, respectively.

Determining best estimate of the selling prices of each deliverable within the contracts

The Company established a standard price menu for each deliverable of its marketing and promotional service (i.e., full banner, banner, button, multi-flip and couplet) and discounts were always given by the Company. Price menu was set up based on historical experience, and was reviewed and updated annually. The company has used the listed prices on the price menu as relative selling price of each deliverable to allocate the total consideration within the contracts. In making this estimate, the Group considers all the reasonably available information, including both market data and

conditions and entity-specific factors, when estimating the selling price of individual deliverable. The Group considers all the factors contemplated in negotiating the arrangement with the customer and its normal pricing practices based on the most objective and reliable information that is available. The price menu is adjusted each year and accordingly the estimated selling price of each deliverable changes annually. Historically there is no significant subsequent adjustment of revenue amount due to change in estimated selling price because the listed prices of most deliverables are adjusted to a similar extent and the relative selling prices do not change significantly.

Estimates of income tax and sales tax

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcomes of these matters are different from the amount that was initially recorded, such differences will impact the current income tax and liabilities in the period in which such determination is made.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of marketing and promotional service through the Group's platform and e-commerce business.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

For the years ended 31 December 2013 and 2014, revenue of approximately RMB16,525,000 and RMB18,336,000 was derived from sales of marketing and promotional service to three and three customers, respectively. Details are disclosed as follows:

	For the Year Ended 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	7,397	7,066
Customer B	5,637	6,041
Customer C	5,302	3,418
	<u>18,336</u>	<u>16,525</u>

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the value of services rendered and the net invoiced value of goods sold, after allowances for returns and trade discounts during the Relevant Periods.

Details of concentrations of credit risk arising from customers are set out in note 30.

An analysis of revenue, other income and gains is as follows:

	For the Year Ended 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Marketing and promotional service	53,004	39,368
E-commerce	429	—
	<u>53,433</u>	<u>39,368</u>
Other income		
Bank interest income	377	53
Government grants*	366	10
	<u>743</u>	<u>63</u>

* Government grants were received from the government of the PRC mainly for subsidising the VAT tax paid by the Group. There are no unfulfilled conditions or contingencies relating to the grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	For the Year Ended	
		31 December	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold		405	—
Cost of services provided		4,344	4,358
Depreciation	13	639	504
Research and development costs:			
Current year expenditure		15,703	19,511
Minimum lease payments under operating leases:			
Buildings		841	788
Auditors' remuneration		12	6
Listing expense		5,558	—
Employee benefit expense (excluding directors' and chief executive's remuneration (note 7)):			
Wages and salaries		18,673	16,953
Staff welfare expenses		284	600
Pension scheme contributions		1,077	971
Impairment of trade receivables	15	36	—
Bank interest income	5	(377)	(53)
Government grants	5	(366)	(10)

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year is disclosed as follows:

	For the Year Ended	
	31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	477	356
Pension scheme contributions	22	10
	<u>499</u>	<u>366</u>

During the year and in prior years, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(a) Independent non-executive directors

Subsequent to the end of the Relevant Periods, three directors were appointed as independent non-executive directors of the Company on 11 February 2015.

(b) Executive directors and non-executive directors

2014	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors:			
Mr. Cheng Li (*)	350	11	361
Mr. Zhang Lake Mozi	—	—	—
Mr. Hu Qingyang	127	11	138
Non-executive directors:			
Mr. Wu Haiming	—	—	—
Ms. Li Juan	—	—	—
Mr. Hsieh Kun Tse	—	—	—
	<u>477</u>	<u>22</u>	<u>499</u>
2013	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors:			
Mr. Cheng Li (*)	255	5	260
Mr. Zhang Lake Mozi	—	—	—
Mr. Hu Qingyang	101	5	106
Non-executive directors:			
Mr. Wu Haiming	—	—	—
Ms. Li Juan	—	—	—
Mr. Hsieh Kun Tse	—	—	—
	<u>356</u>	<u>10</u>	<u>366</u>

* Mr. Cheng Li is also the chief executive officer.

(i) Mr. Cheng Li was appointed as an executive director on 11 February 2015.

- (ii) Mr. Zhang Lake Mozi and Mr. Hu Qingyang were appointed as executive directors on 11 February 2015.
- (iii) Mr. Wu Haiming and Mr. Hsieh Kun Tse were appointed as non-executive directors on 11 February 2015.
- (iv) Ms. Li Juan was appointed as a director on 13 October 2014 and re-designated as a non-executive director on 11 February 2015.

Though the above directors were appointed subsequently, the above remuneration information of each of these directors were recorded in the financial statements of the subsidiaries.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included one director and the chief executive, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining four highest paid employees who are neither a director nor chief executive of the Group, during the Relevant Periods are as follows:

	For the Year Ended	
	31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,336	1,026
Pension scheme contributions	44	20
	<u>1,380</u>	<u>1,046</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2014	2013
Nil to RMB500,000	4	4

During the Relevant Periods, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the Relevant Periods on their respective taxable income, except for Nanjing Xihui, which was certified as Software Enterprises and is exempted from income tax for two years starting from the first year in which it generates taxable profit, followed by a 50% reduction for the next three years. 2014 is the first profitable year for Nanjing Xihui.

The income tax expenses of the Group for the Relevant Periods are analyzed as follows:

	For the Year Ended 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current — PRC		
Charge for the year	<u>252</u>	<u>1,413</u>
Total tax charge for the year	<u><u>252</u></u>	<u><u>1,413</u></u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the locations in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rates, are as follows:

	For the Year Ended 31 December			
	2014		2013	
	<i>RMB'000</i>		<i>RMB'000</i>	
Profit before tax	<u>19,839</u>		<u>8,331</u>	
Tax calculated at the PRC statutory tax rate of 25%	4,960	25%	2,083	25%
Lower tax rate(s) for specific provinces or enacted by local authority	(4,843)	(24%)	(34)	—
Expenses not deductible for tax	135	—	94	1%
Super-deduction of research and development costs	<u>—</u>	<u>—</u>	<u>(730)</u>	<u>(9%)</u>
Tax charge at the Group's effective tax rate	<u><u>252</u></u>	<u><u>1%</u></u>	<u><u>1,413</u></u>	<u><u>17%</u></u>

The effective tax rates of the Group were 17% and 1% in 2013 and 2014 respectively.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in PRC Contractual Entities for which deferred tax liabilities have not been recognized totalled approximately RMB 12,968,000 at 31 December 2014 (2013: RMB 14,657,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes nil (2013: nil) which has been dealt within the financial statements of the Company.

11. DIVIDENDS

The distribution amounts set out in the consolidated statements of changes in equity of nil and RMB19,699,000 for the years ended 31 December 2013 and 2014, respectively, represented the dividends declared by a subsidiary of the Company to the then shareholders Jiangsu Xi'an. Up to the date of this report, RMB 8,000,000 has been paid and RMB 11,699,000 is expected to be paid before listing. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the respective profit for each of the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 1,000 and 1,000 in issue during each of the Relevant Periods, respectively.

There were no potentially dilutive ordinary shares in issue during the Relevant Periods, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

The calculations of basic and diluted earnings per share are based on:

	For the Year Ended	
	31 December	
	2014	2013
Profit attributable to ordinary equity holders of the parent (RMB'000)	13,645	4,817
Weighted average number of ordinary shares in issue	<u>1,000</u>	<u>1,000</u>
Basic and diluted earnings per share (expressed in RMB per share)	<u><u>13,645</u></u>	<u><u>4,817</u></u>

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computers and servers	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2013			
At 1 January 2013			
Cost	264	1,117	1,381
Accumulated depreciation	<u>(218)</u>	<u>(420)</u>	<u>(638)</u>
Net carrying amount	<u><u>46</u></u>	<u><u>697</u></u>	<u><u>743</u></u>
At 1 January 2013, net of accumulated depreciation			
	46	697	743
Additions	45	1,131	1,176
Depreciation provided during the year (note 6)	<u>(25)</u>	<u>(479)</u>	<u>(504)</u>
At 31 December 2013, net of accumulated depreciation	<u><u>66</u></u>	<u><u>1,349</u></u>	<u><u>1,415</u></u>
At 31 December 2013			
Cost	309	2,248	2,557
Accumulated depreciation	<u>(243)</u>	<u>(899)</u>	<u>(1,142)</u>
Net carrying amount	<u><u>66</u></u>	<u><u>1,349</u></u>	<u><u>1,415</u></u>

	Office equipment <i>RMB'000</i>	Computers and servers <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2014			
At 1 January 2014			
Cost	309	2,248	2,557
Accumulated depreciation	<u>(243)</u>	<u>(899)</u>	<u>(1,142)</u>
Net carrying amount	<u>66</u>	<u>1,349</u>	<u>1,415</u>
At 1 January 2014, net of accumulated depreciation			
	66	1,349	1,415
Additions	3	231	234
Disposals	(31)	(9)	(40)
Depreciation provided during the year (note 6)	<u>(19)</u>	<u>(620)</u>	<u>(639)</u>
At 31 December 2014, net of accumulated depreciation			
	<u>19</u>	<u>951</u>	<u>970</u>
At 31 December 2014:			
Cost	281	2,470	2,751
Accumulated depreciation	<u>(262)</u>	<u>(1,519)</u>	<u>(1,781)</u>
Net carrying amount	<u>19</u>	<u>951</u>	<u>970</u>

14. INVENTORIES

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	<u>53</u>	<u>—</u>
	<u>53</u>	<u>—</u>

For the years ended 31 December 2013 and 2014, the cost of inventories recognized as cost of sales amounted to approximately nil and RMB405,000, respectively.

For the years ended 31 December 2013 and 2014, there was no provision for inventories.

15. TRADE RECEIVABLES

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	27,947	22,636
Impairment	—	—
	<u>27,947</u>	<u>22,636</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 60-90 days after completion of the service contract. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the relevant periods, based on the date of the service rendered, is as follows:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	20,281	13,364
3-6 months	4,127	4,042
6 months-1 year	2,691	3,659
1-2 years	<u>848</u>	<u>1,571</u>
	<u>27,947</u>	<u>22,636</u>

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	—	—
Impairment losses recognized (note 6)	36	—
Amount written off as uncollectible	(36)	—
Impairment losses reversed	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interests and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	21,863	17,285
Less than one year past due	<u>6,084</u>	<u>5,351</u>
	<u>27,947</u>	<u>22,636</u>

Receivables that were neither past due nor impaired relate to customers with a good track record for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Listing expense	1,332	—
Prepaid expense	694	289
Deductible sales tax	344	457
Employee advance	261	385
Rental deposits	45	44
Others	61	147
	<u>2,737</u>	<u>1,322</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	<u>9,618</u>	<u>10,932</u>

At the end of each reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB10,932,00 and RMB9,618,000. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the relevant period, based on the invoice date, is as follows:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	92	—
	92	—

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 120 days.

19. ADVANCES FROM CUSTOMERS

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	112	104

Advances from customers are non-interest-bearing and are normally recognized in the profit or loss within 90 days.

20. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Other tax payables	1,637	1,604
Other payables	2,193	144
Employee related payable	4,536	4,078
Total	8,366	5,826

Other payables are non-interest-bearing and repayable on demand.

21. SHARE CAPITAL

	As at 31 December 2014 RMB'000
Authorised:	
38,000,000 ordinary shares (of HK\$0.01 each)	300
Issued and fully paid:	
1,000 ordinary shares (of HK\$0.01 each)	—

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 October 2014 with an authorized share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

Save for the aforesaid and the Reorganization, the Company has not conducted any business since the date of its incorporation.

22. RESERVES

	Other reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	2,000	223	4,037	6,260
Total comprehensive income for the year	—	—	4,817	4,817
Capital contribution by then equity holder	(i) 5,000	—	—	5,000
Appropriation to statutory reserves	(ii) —	711	(711)	—
At 31 December 2013	7,000	934	8,143	16,077
Total comprehensive income for the year	—	—	13,645	13,645
Acquisition of non-controlling interests upon completion of the Reorganization	(iii) 9,842	—	—	9,842
Final 2014 dividend declared	—	—	(19,699)	(19,699)
Appropriation to statutory reserves	(ii) —	2,034	(2,034)	—
At 31 December 2014	16,842	2,968	55	19,865

- (i) The amount represents capital contribution injected by Ms. Li Juan and Mr. Cheng Li indirectly through its interest in Jiangsu Xi'an into Nanjing Xihui upon its establishment in 2013.
- (ii) Certain subsidiaries including Nanjing Xihui and Nanjing Xinchuang incorporated in the PRC are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until the reserve funds reach 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. Such reserve refunds are restricted from distribution to the Company in form of dividend and may be used to reduce any losses incurred by the subsidiaries or may be capitalized as paid-up capital of the subsidiaries, provided that the remaining balance after the capitalization is not less than 50% of the registered capital.
- (iii) As at 30 December 2014, 30% equity interests of the Company with a carrying amount of RMB9.8 million was acquired from non-controlling shareholders at nil consideration upon the completion of the Reorganization.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December 2014	As at 31 December 2013
Nanjing Xinchuang and its subsidiary (*)	—	30%
Nanjing Xihui	<u>—</u>	<u>30%</u>

* 33.3% of the equity interest in Nanjing Fuyuan, the subsidiary of Nanjing Xinchuang was held by independent third party.

	2014 RMB'000	2013 RMB'000
Profit for the year allocated to non-controlling interests:		
Nanjing Xinchuang and its subsidiary	247	914
Nanjing Xihui	<u>5,695</u>	<u>1,187</u>
	<u>5,942</u>	<u>2,101</u>
Accumulated balances of non-controlling interests at the reporting dates:		
Nanjing Xinchuang and its subsidiary (*)	(130)	2,583
Nanjing Xihui	<u>—</u>	<u>1,187</u>
	<u>(130)</u>	<u>3,770</u>

* Upon completion of the Reorganization, the balance of non-controlling interests attributes to Nanjing Fuyuan only.

The following tables illustrate the summarised consolidated financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2014	Nanjing Xinchuang and its subsidiary RMB'000	Nanjing Xihui RMB'000
Revenue	4,494	51,975
Total expenses	(3,731)	(32,996)
Profit for the year	763	18,979
Total comprehensive income for the year	<u>763</u>	<u>18,979</u>
Current assets	13,097	38,591
Non-current assets	840	435
Current liabilities	(2,284)	(31,043)
Non-current liabilities	<u>—</u>	<u>—</u>
Net cash flows from operating activities	1,880	15,134
Net cash flows from investing activities	—	183
Net cash flows used in financing activities	<u>(3,496)</u>	<u>(15,019)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(1,616)</u>	<u>298</u>
	Nanjing Xinchuang and its subsidiary RMB'000	Nanjing Xihui RMB'000
2013	Nanjing Xinchuang and its subsidiary RMB'000	Nanjing Xihui RMB'000
Revenue	24,299	15,128
Total expenses	(21,338)	(11,171)
Profit for the year	2,961	3,957
Total comprehensive income for the year	<u>2,961</u>	<u>3,957</u>
Current assets	13,737	22,021
Non-current assets	1,404	42
Current liabilities	(4,252)	(13,105)
Non-current liabilities	<u>—</u>	<u>—</u>
Net cash flows from/(used in) operating activities	(1,480)	4,880
Net cash flows used in investing activities	—	(1,123)
Net cash flows from financing activities	<u>2,976</u>	<u>5,000</u>
Net increase in cash and cash equivalents	<u>1,496</u>	<u>8,757</u>

23. INVESTMENTS IN SUBSIDIARIES

	As at 31 December	
	2014	2013
	<i>RMB</i>	<i>RMB</i>
Investments in subsidiaries:		
- Unlisted shares, at cost (Note(i))	8	—

(i) Details of the subsidiaries of the Group are set out in Note 1.1.

24. LONG-TERM RECEIVABLES

The balance represents a rental deposit and contract deposits refundable beyond one year since the end of the Relevant Periods.

25. CONTINGENT LIABILITIES

As at 31 December 2013 and 2014, neither the Group nor the Company had any significant contingent liabilities.

26. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2013 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	696	723
In the second to fifth years, inclusive	396	406
	<u>1,092</u>	<u>1,129</u>

27. RELATED PARTY TRANSACTIONS**(a) Name and relationship of related parties**

Name	Relationship
Jiangsu Xi'an	An entity controlled by Ms. Li Juan and Mr. Cheng Li

- (b) The Company borrowed RMB2,976,000 from Jiangsu Xi'an during the year ended 31 December 2013 and repaid RMB9,183,000 to Jiangsu Xi'an during the year ended 31 December 2014.

(c) Outstanding balance with a related party:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
The amount due to Jiangsu Xi'an	—	9,183

As disclosed in the consolidated statement of financial position, the Group had an outstanding balance due to Jiangsu Xi'an of RMB9,183,000 as at 31 December 2013. The balance is unsecured, interest-free and repayable on demand. The amount was repaid as at 31 December 2014.

(d) Compensation of key management personnel of the Group:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	1,813	1,382
Pension scheme contributions	<u>66</u>	<u>30</u>
	<u>1,879</u>	<u>1,412</u>

Further details of directors' emoluments are included in note 7 to the financial statements.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets	Group	
	Loans and receivables	
	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Long-term receivables	250	—
Trade receivables	27,947	22,636
Financial assets included in prepayments, deposits and other receivables	263	533
Cash and cash equivalents	<u>9,618</u>	<u>10,932</u>
	<u><u>38,078</u></u>	<u><u>34,101</u></u>

Financial liabilities	Group	
	Financial liabilities at amortised cost	
	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	2,062	127
Trade payable	92	—
Due to a related company	<u>—</u>	<u>9,183</u>
	<u><u>2,154</u></u>	<u><u>9,310</u></u>

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts	Fair values
	As at 31 December	
	2014	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Long term receivable	250	220
	<u>250</u>	<u>220</u>

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, deposits and other receivables, an amount due to a related company, trade payables and other payables, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The fair values of the long term receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The following tables illustrate the fair value measurement hierarchy of the Group's asset for which fair value is disclosed:

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Long term receivable	—	—	220	220
	<u>—</u>	<u>—</u>	<u>220</u>	<u>220</u>

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and they are summarized below.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by credit quality of individual customer. As at 31 December 2013 and 2014, 56% and 58%, respectively, of the total trade receivables were due from the Group's five largest customers. Among which, 15% and 12% of the total trade receivables as at 31 December 2013 and 2014, respectively, were due from the largest customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the Financial Information.

Liquidation risk

The Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilized during the years ended 31 December 2014 and 2013. Management considers that the Group does not have significant liquidity risk.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2014			Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	
Financial liabilities included in other payables and accruals	705	1,357	—	2,062
Trade payables	—	92	—	92
	<u>705</u>	<u>1,449</u>	<u>—</u>	<u>2,154</u>

	As at 31 December 2013			Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	
Financial liabilities included in other payables and accruals	127	—	—	127
Amount due to a related company	9,183	—	—	9,183
	<u>9,310</u>	<u>—</u>	<u>—</u>	<u>9,310</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities divided by total assets. Capital represents total equity as shown in the consolidated statements of financial position.

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Total current liabilities	<u>21,895</u>	<u>16,489</u>
	21,895	16,489
Total current assets	40,355	34,890
Total non-current assets	<u>1,275</u>	<u>1,446</u>
	41,630	36,336
Gearing ratio	<u>53%</u>	<u>45%</u>

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2014 and up to the date of this report.

Yours faithfully,
Ernst & Young
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared for the purpose of illustrating the effect of the Placing as if it had been taken place on 31 December 2014 in accordance with Rule 7.31 of the GEM Listing Rules and based on the consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2014 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of our Group after the completion of the Placing.

	Consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2014 <i>(note 1)</i> RMB'000	Estimated net proceeds from the Placing <i>(note 2)</i> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(note 3)</i> HKD
Based on an Offer Price of HK\$1.20 per share	<u>19,735</u>	<u>169,947</u>	<u>189,682</u>	<u>0.2399</u>
Based on an Offer Price of HK\$1.45 per share	<u>19,735</u>	<u>208,104</u>	<u>227,839</u>	<u>0.2881</u>

Notes:

- (1) Our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 is extracted from the Accountants' Report included as Appendix I to this prospectus, which is based on the consolidated net assets of our Group attributable to owners of our Company as at 31 December 2014 of RMB19,735,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Placing are based on the indicative Offer Price of HK\$1.20 and HK\$1.45 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by our Company and take no account of any shares which may be issued upon the exercise of the Over-allotment Option or any shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

- (3) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after adjustment for the net proceed from the Placing payable to our Company as described in note (2) above and on the basis that a total of 1,000,000,000 shares were in issue assuming share Capitalization Issue and the Placing occurred as at 31 December 2014 (including shares in issue as at 31 December 2014 and those shares to be issued pursuant to the Placing, but excluding shares that may be issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme).

- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered subsequent to 31 December 2014.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



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

30 June 2015

To the Directors of China Parenting Network Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Parenting Network Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2014 and related notes as set out on pages II-1 and II-2 of the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages II-1 and II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the placing of shares of the Company on the Group’s financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2014, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountants’ responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 October 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 19 June 2015. The following is a summary of certain provisions of the Articles:

- (a) **Directors**
 - (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any

other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;

- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, 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; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However,

an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, 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; 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 representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so 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 in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may 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, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled

to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation 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.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) 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 of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any 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).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. 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 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 November 2014.

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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company 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.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and

thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix 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 is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation of the Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 13 October 2014. Our Company has established its principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 March 2015. Our Company has appointed Ms. Ng Wing Shan of 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as the authorized representative of the Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the Cayman Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in Share Capital of the Company

- (a) As of the date of incorporation of our Company, its authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. At the time of its incorporation, 1 Share was allotted and issued to the initial subscriber, which was transferred to Ms. Li Juan on the same date.
- (b) On 3 November 2014, Ms. Li Juan transferred 1 Share to Loyal Alliance. On the same date, our Company issued and allotted additional 344 Shares, 300 Shares, 80 Shares, 75 Shares, 150 Shares and 50 Shares to Loyal Alliance, Prime Wish, Ample Sense, Perfect Home, Victory Glory and Properous Commitment respectively.
- (c) Assuming that the Placing becomes unconditional and the issue of the Shares pursuant to the Placing and the Capitalization Issue mentioned herein are made, but not taking into account of any Shares which may be issued upon 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, the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares fully paid or credited as fully paid. Other than pursuant to any options which may be granted under the Share Option Scheme, the exercise of the Over-allotment Option or the exercise of the general mandate to issue Shares referred to in the paragraph headed "A. Further Information About The Company And Its Subsidiaries — 3. Written Resolutions of the Shareholders passed on 19 June 2015", there is no present intention to issue any part of the authorized but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (d) Save as disclosed herein, there has been no alteration in the share capital of our Company since its incorporation.

3. Written Resolutions of the Shareholders passed on 19 June 2015

On 19 June 2015, written resolutions of the Shareholders were passed pursuant to which, among others:

- (a) the authorized share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares with effect from the date of the written resolutions;
- (b) our Company approved and adopted the Articles and the Memorandum with effect from the date of the written resolutions;
- (c) conditional on (A) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Placing, the Capitalization Issue, the Over-allotment Option and the Share Option Scheme); and (B) the entering into of the agreement on the Placing Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder); and (C) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreement:
 - (i) the Placing was approved and the Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Placing;
 - (ii) the Over-allotment Option was approved and the Directors were authorized to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below, were approved and adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares issued pursuant thereunder and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and
 - (iv) conditional upon the share premium amount of our Company having sufficient balance or being credited as a result of the Placing, the Directors were authorized to capitalize the amount of HK\$7,999,990 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 799,999,000 Shares for allotment and issue to the person(s) whose name(s) appears on the register of members of our Company on the date of the written resolutions (or as they may direct) on a pro rata basis. The Shares to be allotted and issued pursuant to the Capitalization Issue will rank *pari passu* in all respects with the existing issued Shares.

- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to allot, issue and deal in (otherwise than by way of rights issue or an issue of Shares upon the exercise of the Over-allotment Option or any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of Share or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting) any unissued Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalization Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed, and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalization Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value 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 value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalization Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

4. Corporate Reorganization

In preparation for the Listing, the companies comprising our Group underwent the Reorganization to rationalize the corporate structure of our Group. For further details, please refer to the section headed “History and Corporate Structure — Reorganization” in this prospectus.

5. Changes in Share Capital of Subsidiaries

Save as disclosed in the sub-sections headed “Our Corporate Development” and “Reorganization” both in the section headed “History and Corporate Structure” in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

6. Particulars of Our Subsidiaries

Particulars of our subsidiaries are set forth in the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus.

7. Repurchase of our own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders’ Approval*

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution of all the Shareholders passed on 19 June 2015, a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors authorizing any repurchase by the Company of Shares as described above in the paragraph headed “A. Further Information About The Company And Its Subsidiaries — 3. Written Resolutions of the Shareholders passed on 19 June 2015” in Appendix IV to this prospectus.

(ii) **Source of Funds**

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

(b) **Funding of Purchases**

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilized in this connection, including profits and share premium of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital of our Company. Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(c) **Reasons for Repurchases**

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) **Exercise of the Repurchase Mandate**

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after completion of the Placing and the Capitalization Issue (but taking no account of any Shares which may be issued upon the exercise of the Over-Allotment Option and any options which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by the Company during the course of the period (the “Relevant Period”) prior to the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or

- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting.

(e) **General**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company or its subsidiaries.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

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 GEM Listing Rules, the Memorandum, the Articles and all the applicable laws and regulations of the Cayman Islands.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing.

No core connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he has a present intention to sell any Shares to the Company or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the business cooperation agreement dated 30 December 2014 among Nanjing Xibai, Nanjing Xihui, Nanjing Xinchuang, Ms. Li Juan and Mr. Cheng Li in relation to, among others, the business cooperation among the parties and implementation of the Contractual Arrangement;
- (b) the exclusive technology service and management consultation agreement dated 30 December 2014 among Nanjing Xibai, Nanjing Xihui and Nanjing Xinchuang, pursuant to which Nanjing Xihui and Nanjing Xinchuang agreed to engage Nanjing Xibai as their exclusive provider of technical and management consulting services and other technology and consultancy services in exchange for service fee;
- (c) the shareholders' rights entrustment agreement dated 30 December 2014 among Nanjing Xibai, Nanjing Xihui, Nanjing Xinchuang, Ms. Li Juan and Mr. Cheng Li, pursuant to which Ms. Li Juan and Mr. Cheng Li irrevocably authorized Nanjing Xibai to exercise their shareholders' rights in Nanjing Xihui and Nanjing Xinchuang;
- (d) the equity interest pledge agreement dated 30 December 2014 among Nanjing Xibai, Nanjing Xihui, Nanjing Xinchuang, Ms. Li Juan and Mr. Cheng Li, pursuant to which Ms. Li Juan and Mr. Cheng Li granted a first priority of security interest in their respective interests in the registered capitals of Nanjing Xihui and Nanjing Xinchuang in favour of Nanjing Xibai;
- (e) the exclusive option agreement dated 30 December 2014 among Nanjing Xibai, Nanjing Xihui, Nanjing Xinchuang, Ms. Li Juan and Mr. Cheng Li, pursuant to which (i) Ms. Li Juan and Mr. Cheng Li irrevocably granted the exclusive right to Nanjing Xibai to require themselves to transfer their equity interests in Nanjing Xihui and Nanjing Xinchuang to Nanjing Xibai or its designated entities; and (ii) Nanjing Xihui and Nanjing Xinchuang irrevocably granted the exclusive right to Nanjing Xibai to acquire the assets in whole or in part from themselves in favour of Nanjing Xibai or its designated entities;
- (f) the deed of non-competition dated 19 June 2015 executed by our Controlling Shareholders in favour of our Company as detailed in the paragraph headed "Relationship with our Controlling Shareholders — Non-competition Undertakings" of this prospectus;
- (g) the deed of indemnity dated 19 June 2015 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities referred to in the sub-paragraph headed "Other information — Tax and other indemnity" in this appendix;

- (h) the deed of undertaking dated 24 June 2015 executed by Ms. Li Juan, Mr. Cheng Li and our Company relating to the Contractual Arrangement as detailed in the paragraph headed “Contractual Arrangement — Development in the Legislation on Foreign Investment” of this prospectus;
- (i) the cornerstone investment agreement dated 26 June 2015 entered into among our Company, Las Cases Capital and the Sole Global Coordinator, pursuant to which Las Cases Capital agreed to subscribe for our Shares in the amount of US\$2 million;
- (j) the cornerstone investment agreement dated 26 June 2015 entered into among our Company, Town Health Corporate Advisory and Investments Limited and the Sole Global Coordinator, pursuant to which Town Health Corporate Advisory and Investments Limited agreed to subscribe for our Shares in the amount of US\$5 million;
- (k) the cornerstone investment agreement dated 26 June 2015 entered into among our Company, Ever Robust Holdings Limited and the Sole Global Coordinator, pursuant to which Ever Robust Holdings Limited agreed to subscribe for our Shares in the amount of US\$5 million; and
- (l) the Underwriting Agreement.



2. Intellectual Property of the Group

(a) Trademarks

As of the Latest Practicable Date, the Group was the registered owner of the following trademarks:

Trademark	Place of Registration	Registration No.	Trademark Owner	Class	Valid Period
	HK	303153014	Nanjing Xihui	35,41	30 September 2014 to 29 September 2024
	HK	303144096	Nanjing Xihui	35	23 September 2014 to 22 September 2024

As of the Latest Practicable Date, the Group had made applications to register the following trademarks:

Trademark	Place of Application	Applicant	Class	Date of Application	Application No.
韵伴	PRC	Nanjing Xihui	3	15 September 2014	15346649
孕伴	PRC	Nanjing Xihui	3	12 September 2014	15336840
			5	12 September 2014	15336838
	PRC	Nanjing Xihui	9	28 July 2014	14968781
			10	28 July 2014	14968817
孕伴					
	PRC	Nanjing Xihui	9	24 November 2014	15776656
孕伴					
孕期提醒	PRC	Nanjing Xihui	9	24 November 2014	15776647

(b) **Domain Names**

As of the Latest Practicable Date, the Group was the registered proprietor of the following domain name:

Registrant	Domain Name	Date of Registration	Expiry Date
Nanjing Xihui	ci123.com	13 September 2004	13 September 2017

(c) Copyrights

As of the Latest Practicable Date, the Group was the registered proprietor of the following copyrights in the PRC which are material to the operation of our Group:

Registrant	Copyright	Certificate No.	Date of First Publication	Date of Certificate
Nanjing Xihui	Xihui mother community system software (矽匯媽媽社區系統軟件) V5.6	軟著登字第0697578號	30 December 2013	10 March 2014
Nanjing Xihui	Xihui ovulatory period testing system software (矽匯排卵期測算系統軟件) V2.0	軟著登字第0630895號	16 September 2013	13 November 2013
Nanjing Xihui	Xihui fetus bodyweight calculation system software (矽匯胎兒體重計算系統軟件) V1.1.1	軟著登字第0630835號	16 September 2013	13 November 2013
Nanjing Xihui	Xihui parenting network system software (矽匯育兒網系統軟件) V5.1	軟著登字第0820688號	14 November 2013	13 October 2014
Nanjing Xihui	Xihui parenting Q&A system software (矽匯育兒問答系統軟件) V2.1.2	軟著登字第0874724號	29 October 2014	22 December 2014
Nanjing Xihui	Xihui pregnancy reminder computer software (矽匯孕期提醒電腦軟件) V3.0	軟著登字第0846717號	25 February 2014	20 November 2014
Nanjing Xihui	Xihui mother and child diet system software (矽匯母嬰飲食系統軟件) V1.0	軟著登字第0907791號	7 April 2014	2 February 2015
Nanjing Xihui	Xian parenting guide system software (矽岸育兒指南系統軟件) V2.5.4	軟著登字第0959020號	25 February 2014	30 April 2015
Nanjing Xihui	Xihui cloud photo album system (矽匯雲相冊系統) V1.0	軟著登字第0974453號	29 January 2015	21 May 2015
Nanjing Xihui	Xihui information system (矽匯消息系統) V1.0	軟著登字第0974840號	29 January 2015	21 May 2015
Nanjing Xihui	Xian pregnancy reminder mobile phone App (矽岸手機App孕期提醒軟件) V1.0	軟著登字第0953936號	15 October 2011	22 April 2015
Nanjing Xihui	Xihui mobile phone App bao bao lai le software (矽匯手機App寶寶來了軟件) V1.0	軟著登字第0939316號	29 January 2015	24 March 2015
Nanjing Xihui	Xihui e-commerce system (矽匯電商系統) V1.0	軟著登字0974840	29 January 2015	21 May 2015
Nanjing Xibai	Xibai xiao yi ma menstruation record system software (矽柏小姨媽月經記錄系統軟件) V1.0	軟著登字第0938885號	15 January 2015	24 March 2015
Nanjing Xihui	Yun Ban (孕伴)	國作登字-2014-F-00154152	2 August 2014	14 October 2014
Nanjing Xihui	Li Li (莉莉)	國作登字-2014-F-00154855	10 August 2014	21 October 2014
Nanjing Xinchuang	Fox Hu Hu (狐狸呼呼)	2010-F-024797	2 September 2009	16 March 2010
Nanjing Xinchuang	Fox Hu Hu version No. 2 (狐狸呼呼) 第二版	2010-F-027929	2 March 2010	1 July 2010
Nanjing Xihui	Baobao Grow (3D) (寶寶發育3D圖)	國作登字-2015-F-00185433	2 August 2015	28 April 2015
Nanjing Xihui	Baobao Grow (寶寶發育圖)	國作登字-2015-F-00185640	2 August 2014	30 April 2015

Registrant	Copyright	Certificate No.	Date of First Publication	Date of Certificate
Nanjing Xihui	Fetus Grow (胎兒發育圖)	國作登字- 2015-F-00185288	17 December 2014	27 April 2015
Nanjing Xile	Kuduoduo Family (庫多多家族)	國作登字- 2015-F-00185287	17 March 2015	27 April 2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of directors in our share capital and our associated corporations*

Immediately following completion of the Placing and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-Allotment Option and options which may be granted under the Share Option Scheme), the interests or short positions of each of the Directors and the chief executives in the share capital, underlying shares and debentures of the Company which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have 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 required to be kept therein or which, once the Shares are listed, will be required pursuant to Rules 5.54 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange are set out as follows:

Interests in the Company

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Placing and the Capitalization Issue
Ms. Li Juan ⁽²⁾	Interest in controlled corporation; Interest of concert party	510,000,000 (L)	51.00%
Mr. Wu Haiming ⁽²⁾	Interest of spouse	510,000,000 (L)	51.00%
Mr. Cheng Li ⁽³⁾	Interest in controlled corporation; Interest of concert party	510,000,000 (L)	51.00%
Mr. Hsieh Kun Tse ⁽⁴⁾	Interest in controlled corporation	156,000,000 (L)	15.60%
Mr. Zhang Lake Mozi ⁽⁵⁾	Interest in controlled corporation; Interest of spouse	84,000,000 (L)	8.40%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Ms. Li Juan is deemed to be interested in 174,000,000 Shares which are beneficially owned by Loyal Alliance and 216,000,000 Shares which are beneficially owned by Prime Wish. Both Loyal Alliance and Prime Wish are wholly owned by Ms. Li Juan. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.
- (3) Mr. Cheng Li is deemed to be interested in 120,000,000 Shares which are beneficially owned by Victory Glory. Victory Glory is wholly owned by Mr. Cheng Li. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.
- (4) Mr. Hsieh Kun Tse, a non-executive Director, is deemed to be interested in 51,600,000 Shares which are beneficially owned by Properous Commitment and 104,400,000 Shares which are held by Winner Zone. Both Properous Commitment and Winner Zone are wholly owned by Mr. Hsieh Kun Tse. The issued share capital of our Company held by Properous Commitment will be used for implementation of future share incentive schemes for eligible employees of our Group at the direction and pursuant to the instructions of the Board. Winner Zone holds the Shares as trustee for and on behalf of Shanghai AMVC, the general partner of which is Shanghai AMVC Investment Management Center (A Limited Partnership) (上海早鳥投資管理中心(有限合夥)), which is in turn co-founded and controlled by Mr. Hsieh Kun Tse.
- (5) Mr. Zhang Lake Mozi is deemed to be interested in 84,000,000 Shares which are held by Sharp Knight. Sharp Knight is wholly owned by Mr. Zhang Lake Mozi. Sharp Knight holds the Shares as trustee for and on behalf of Beijing Zhongchengma, which is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi. Mr. Zhang Lake Mozi and Ms. Wang Rong are therefore deemed to be interested in the interests of each other.

Interests in other members of the Group

Name of Director	Name of Subsidiary	Nature of Interest	Approximate percentage of shareholding
Ms. Li Juan ⁽¹⁾	Nanjing Xihui ⁽²⁾	Beneficial owner	85%
	Nanjing Xinchuang ⁽²⁾	Beneficial owner	85%
Mr. Wu Haiming ⁽¹⁾	Nanjing Xihui	Interest of spouse	85%
	Nanjing Xinchuang	Interest of spouse	85%
Mr. Cheng Li	Nanjing Xihui ⁽²⁾	Beneficial owner	15%
	Nanjing Xinchuang ⁽²⁾	Beneficial owner	15%

Notes:

- (1) Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.
- (2) Pursuant to the Contractual Arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of our Company.

(b) *Interests and short positions of substantial shareholders in the share capital of the Company*

So far as the Directors are aware, immediately following completion of the Placing and the Capitalization Issue (but taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), in addition to the interests disclosed under the section headed “Further information about our Directors and Substantial Shareholders — Directors” above, the persons (not being a director or chief executive of the Company) who will have interests or short positions in the Shares and underlying Shares which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Interests in the Company

Name	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Placing and the Capitalization Issue
Loyal Alliance ⁽²⁾	Beneficial owner	174,000,000 (L)	17.40%
Prime Wish ⁽²⁾	Beneficial owner	216,000,000 (L)	21.60%
Victory Glory ⁽³⁾	Beneficial owner	120,000,000 (L)	12.00%
Properous Commitment ⁽⁴⁾	Beneficial owner	51,600,000 (L)	5.16%
Winner Zone ⁽⁴⁾⁽⁵⁾	Trustee	104,400,000 (L)	10.44%
Sharp Knight ⁽⁶⁾	Trustee	84,000,000 (L)	8.40%
Ms. Li Juan ⁽²⁾	Interest in controlled corporation; Interest of concert party	510,000,000 (L)	51.00%
Mr. Wu Haiming ⁽²⁾	Interest of spouse	510,000,000 (L)	51.00%
Mr. Cheng Li ⁽³⁾	Interest in controlled corporation; Interest of concert party	510,000,000 (L)	51.00%
Mr. Hsieh Kun Tse ⁽⁴⁾	Interest in controlled corporation	156,000,000 (L)	15.60%
Ms. Wang Rong ⁽⁶⁾	Interest in controlled corporation; Interest of spouse	84,000,000 (L)	8.40%
Mr. Zhang Lake Mozi ⁽⁶⁾	Interest in controlled corporation; Interest of spouse	84,000,000 (L)	8.40%
Shanghai AMVC ⁽⁵⁾	Beneficiary	104,400,000 (L)	10.44%
Beijing Zhongchengma ⁽⁶⁾	Beneficiary	84,000,000 (L)	8.40%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all the Shares held by each of Loyal Alliance and Prime Wish. Ms. Li Juan and Mr. Cheng Li

entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.

- (3) Victory Glory is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the Shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into a concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.
- (4) Each of Properous Commitment and Winner Zone is directly and wholly owned by Mr. Hsieh Kun Tse, a non-executive Director, who is therefore deemed to be interested in all the Shares held by each of Properous Commitment and Winner Zone. The issued share capital of our Company held by Properous Commitment will be used for implementation of future share incentive schemes for eligible employees of our Group at the direction and pursuant to the instructions of the Board.
- (5) Winner Zone holds the Shares as trustee for and on behalf of Shanghai AMVC, the general partner of which is Shanghai AMVC Investment Management Center (A Limited Partnership) (上海早鳥投資管理中心(有限合夥)), which is in turn co-founded and controlled by Mr. Hsieh Kun Tse, a non-executive Director.
- (6) Sharp Knight holds the Shares as trustee for and on behalf of Beijing Zhongchengma, which is wholly owned by the spouse of Mr. Zhang Lake Mozi, an executive Director. Sharp Knight is directly and wholly owned by Mr. Zhang Lake Mozi, who is therefore deemed to be interested in all the Shares held by Sharp Knight. Mr. Zhang Lake Mozi and Ms. Wang Rong are therefore deemed to be interested in the interests of each other.

Interests in other members of the Group

Name of subsidiaries	Nature of shareholder(s)	Nature of Interest	Percentage of shareholding
Nanjing Xinchuang ⁽¹⁾	Ms. Li Juan	Beneficial owner	85%
	Mr. Wu Haiming	Interest of spouse	85%
	Mr. Cheng Li	Beneficial owner	15%
Nanjing Xihui ⁽¹⁾	Ms. Li Juan	Beneficial owner	85%
	Mr. Wu Haiming	Interest of spouse	85%
	Mr. Cheng Li	Beneficial owner	15%

Notes:

- (1) Pursuant to the Contractual Arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of our Company.
- (2) Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a director or chief executive of the Company) who will immediately following completion of the Placing have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will immediately following completion of the Placing be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital in any associated corporations of the Company carrying rights to vote in all circumstances at general meetings of associated corporation of the Company.

2. Directors' Service Contracts and Remuneration

(a) Directors' Service Contracts

Each of our executive and non-executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(b) Directors' remuneration

For the year ended 31 December 2013 and 2014, the aggregate amount paid to our Directors as remuneration (including salaries, contribution to pension schemes, allowances and benefits in kind) were RMB366,000 and RMB499,000 respectively.

For the year ending 31 December 2015, the estimated total compensation payable to the Directors amounts to RMB277,000 (excluding any discretionary bonus).

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding any discretionary bonus) payable by our Group to each of our Directors is as follows:

	Annual remuneration (HK\$)
<i>Executive Directors</i>	
Mr. Cheng Li	10,000
Mr. Hu Qingyang	10,000
Mr. Zhang Lake Mozi	10,000
<i>Non-executive Directors</i>	
Mr. Wu Haiming	10,000
Ms. Li Juan	10,000
Mr. Hsieh Kun Tse	10,000
<i>Independent non-executive Directors</i>	
Mr. Wu Chak Man	100,000
Mr. Zhao Zhen	100,000
Mr. Ge Ning	100,000

3. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of Experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of Experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors or their close associates (as defined in the GEM Listing Rules) or existing shareholders or the Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers of the Company; and
- (e) none of the Directors or their close associates (as defined in the GEM Listing Rules) or our existing shareholders of the Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any or the five largest suppliers of the Company.

D. PROPOSED SHARE AWARD PLAN

Summary of Terms

We intend to adopt a share award plan (the “**Plan**”) after the Listing. The Plan will not be subject to the provisions of Chapter 23 of the GEM Listing Rules as the Plan will not involve the grant of options by our Company to subscribe for new Shares. The principal terms of the Plan subject to determination of the Board as currently contemplated are as follows:

1. Purpose, Administration and Duration

- 1.1 The purpose of the Plan is intended to recognise and reward the contribution of any employee (including without limitation any directors) of the Company and its subsidiary(ies) and/or invested entity(ies) from time to time to the growth and development of the Group through an award of Shares.

- 1.2 The Plan shall be subject to the administration of the Board whose decisions on all matters arising in relation to the Plan or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby. Under the Plan, the Board may delegate the administration of the Plan to such person(s) or committee(s) as the Board may see fit. Upon the adoption of the Plan, the Board intends to delegate the administration of the Plan to a special committee comprising of one executive Director and one independent non-executive Director, and we intend to engage a professional trustee for operation and management of the Plan.
- 1.3 A selected employee shall ensure that the acceptance, vesting and the holding of any awarded Shares under the Plan and the exercise of all rights attaching thereto are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. The Board may, as a condition precedent of making an award, require a selected employee to produce such evidence as it may reasonably require for such purpose.
- 1.4 Subject to paragraph 9, the Plan shall be valid and effective for a term of 10 years commencing from the adoption date, after which no further awards may be made but the provisions of the Plan shall remain in full force and effect to the extent necessary to give effect to any awards made prior thereto and the administration of the trust property held by the trustee for the purpose of the Plan.

2. Award of Shares

- 2.1 The Board shall, subject to and in accordance with the provisions of the Plan, be entitled (but shall not be bound) to, at any time during the continuation of the Plan, make an award to any of the eligible employees of such number of issued Shares, as the Directors shall determine pursuant to the Plan.
- 2.2 The making of an award to any core connected person must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee).
- 2.3 The eligibility of any of the eligible employees to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution to the development and growth of the Group.
- 2.4 The Board shall notify the trustee in writing upon the making of an award under the Plan (the "**Award Notice**") and the Board shall specify therein the following:
- (a) the name, address and position of the relevant selected employee;
 - (b) the number of awarded Shares provisionally awarded to the relevant selected employee pursuant to such award;
 - (c) the earliest date (the "**Earliest Vesting Date**"), if applicable, on which the trustee may vest the legal and beneficial ownership of the awarded Shares in the relevant selected employee under paragraph 4.1;

- (d) the condition(s) or performance target(s), if any, that must be attained by the relevant selected employee before any of the awarded Shares may be transferred to and vested in such selected employee under such award; and
 - (e) such other terms and conditions of such award as may be imposed by the Board as are not inconsistent with the terms of the Plan and the trust deed on either the trustee (with the prior written consent of the trustee unless the same has already been provided for in the trust deed) and the relevant selected employee, or any of them before the awarded Shares may be transferred to and vested in such selected employee.
- 2.5 The Board shall notify the selected employee in writing after an award has been made to such selected employee and the notice shall contain substantially the same information as that set out in the Award Notice provided that nothing contained in such notice shall be construed as conferring any rights, interests, benefits and title to and in the awarded Shares on such selected employee before the vesting of the legal and beneficial ownership of such awarded Shares in the selected employee in accordance with the provisions of the Plan. An award shall be deemed to be irrevocably accepted by a selected employee unless the selected employee shall within three business days after receipt of such notice from the Board notify the Company in writing that he would decline to accept such award.
- 2.6 For so long as the Shares are listed on the Stock Exchange:
- (a) an award may not be made after inside information has come to the Company's knowledge until the Company has announced the information in accordance with the requirements under the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for the Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any interim period (whether or not required under the GEM Listing Rules),and ending on the date of the relevant results announcement, no award may be made; and
 - (b) the Directors may not make an award to an eligible employee who is a core connected person during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the required standard of dealings as prescribed by Chapter 5 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.
- 2.7 Any Shares awarded under the Plan will rank *pari passu* in all respects with the Shares in issue as of the date of grant.

3. Pool of Awarded Shares

The total number of Shares under the Plan will initially be 51,600,000 Shares, which represents approximately 5.16% of the issued share capital of the Company immediately upon completion of the Placing and Capitalization Issue (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 granted or to be granted under the Share Option Scheme). Prior to the adoption of the Plan, Properous Commitment, as settlor, will enter into a deed of settlement pursuant to which it will declare the 51,600,000 Shares held by it as trust property for the purpose of the Plan.

4. Vesting of the Awarded Shares

4.1 Subject to paragraph 5, the trustee shall transfer to and vest in any selected employee the legal and beneficial ownership of the awarded Shares to which such selected employee is entitled under the relevant award and all the Other Distributions (as set out in paragraph 4.2(a)) attributable to such awarded Shares within ten (10) business days after the latest of:

- (a) the Earliest Vesting Date, if applicable, as specified in the Award Notice to which such award relates; and
- (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected employee as specified in the related Award Notice have been attained and notified to the trustee by the Board in writing.

If the vesting date shall fall on any day on which the Board is restricted from making any award as referred to in paragraph 2.6, the vesting date shall be postponed.

4.2 During the vesting period (if any):

- (a) any dividends and other distributions (the “**Other Distributions**”) declared and made in respect of any awarded Shares shall be held by the trustee for the benefit of, and shall only be payable or transferable (as the case may be) to, the relevant selected employee when such awarded Shares are vested in such selected employee in accordance with paragraph 4.1;
- (b) if the Company shall offer to the Shareholders new Shares or other securities for subscription by way of rights, options or warrants and no amount is required to be payable by the Shareholders for such rights, options or warrants, the trustee shall sell any nil-paid rights, options or warrants allotted to it in respect of the awarded Shares held by it if there is an open market for such rights, options or warrants. The net proceeds of such sale shall, upon termination of the Plan, be treated and dealt with as income of the trust fund under the trust deed generally. For the avoidance of doubt, no selected employees shall have any right to, or interest in, any nil-paid rights, options or warrants (or the underlying Shares, or the proceeds of sale of any such nil-paid rights, options or warrants) allotted under such offer;

- (c) if the Company shall offer to the Shareholders new shares or other securities for subscription by way of rights, options, warrants or other open or preferential offer and consideration is required to be paid for the taking up and/or the exercise of such rights, options, warrants or open or preferential offer, the trustee shall decline to take up, purchase and/or subscribe for such rights, options, warrants or open or preferential offer. For the avoidance of doubt, no selected employees shall have any right to, or interest in, any such offer;
 - (d) without prejudice to sub-paragraph (a) above, with respect to any dividends declared by the Company and in connection with which the Company shall allow its Shareholders to elect to receive Shares in lieu of cash (as provided for in the relevant announcement and/or circular of the Company), then in respect of the awarded Shares provisionally set aside for any selected employee which have not vested, the trustee shall have the right (in its absolute discretion) to determine whether it shall elect to receive Shares in lieu of cash or cash in respect of such dividends, and any such scrip dividend or cash dividend so elected and received by the trustee shall be treated as and constitute Other Distributions referred to in paragraph 4.2(a). For the avoidance of doubt, no selected employees shall have any right to give any direction to, or make any claim against, the trustee in relation to the making of the said election; and
 - (e) if a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all Shareholders other than the offeror, any persons controlled by the offeror and any persons acting in association or concert with the offeror, and such offer becomes or is declared unconditional prior to the vesting of the Awarded Shares in the relevant selected employees pursuant to paragraph 4.1, the Board shall have the right in their absolute discretion to determine whether the trustee shall elect to accept such offer (or any revised offer) and, if applicable, shall direct the trustee in writing to accept such offer accordingly. In the event that the offer (or revised offer) is so elected to be accepted, all proceeds in respect of the awarded Shares paid or payable to the trustee by reason of such acceptance shall be held by the Trustee for the benefit of the relevant selected employee, and the same shall only be payable to the relevant selected employee on the vesting date of the award relating to such selected employee has not lapsed or been cancelled under paragraph 5.
- 4.3 In the event that a selected employee passes away prior to the vesting date of the award relating to such selected employee, and such award has not lapsed or been cancelled by reason of paragraph 5, the awarded Shares under such award shall be held by the trustee on behalf of the personal representative(s) of such selected employee and the trustee shall transfer to such personal representative(s), as notified by the Board in writing, such awarded Shares and all Other Distributions attributable thereto on such vesting date, whereupon the trustee shall be discharged from all duties and liabilities in respect of such selected employee.

5. Lapse of Awards

- 5.1 In the event that any selected employee ceases to be an eligible employee by virtue of a corporate reorganisation of the Group or any invested entity of the Company, then any award with respect to any unvested Shares made to such selected employee shall forthwith lapse and be cancelled.

5.2 An award with respect to any unvested Shares made to any selected employee shall forthwith lapse and be cancelled if the selected employee ceases to be an eligible employee by reason of a termination of his employment with the Group or any invested entity of the Company for whatever reason other than his death or retirement in accordance with his contract of employment. If any selected employee ceases to be an eligible employee by reason only of his death or retirement in accordance with his contract of employment, the awarded Shares which are set aside for him pursuant to an award shall be transferred to and vested in him or, as the case may be, his personal representative(s) in accordance with paragraph 4.3.

6. Unvested Shares

Where the awarded Shares which are set aside for a selected employee pursuant to an award do not vest by reason of a lapse of such award under paragraph 5, the trustee shall hold such awarded Shares and all Other Distributions attributable thereto exclusively for the benefit of all or one or more of the eligible employees as the Board shall in its absolute discretion at any time determine and select in writing as the selected employee(s).

7. Disputes

Any dispute arising in connection with the Plan shall be referred to the decision of the Board whose decisions shall be final, conclusive and binding on all persons who may be affected thereby.

8. Alteration of the Plan

The Plan may be altered by a resolution of the Board, provided that no such alteration shall operate to affect adversely any rights of any selected employee in respect of his awarded Shares which remain unvested except with the consent in writing of the majority of the selected employees whose awarded Shares remained unvested on that date (but, for the avoidance of doubt, excluding for this purpose any such Shares in respect of which that date is a vesting date) as would be required of the holders of Shares under the Articles for a variation of the rights attached to such Shares.

9. Termination

9.1 The Board may by resolution at any time terminate the operation of the Plan in which event no further Award may be made provided that such termination shall not affect any subsisting rights of any selected employee in respect of any award made to him prior to such termination.

9.2 If, at the date of the termination of the Plan, the trustee holds any Shares which has not been set aside in favour of any selected employee or the Other Distributions attributable thereto, then the Trustee shall, within twenty-one (21) business days after receiving notice of such termination, sell such Shares and remit the proceeds of sale (after making appropriate deductions in respect of stamp duty and other costs, liabilities and expenses in accordance with the trust deed) together with such Other Distributions to the Company.

10. General

As of the Latest Practicable Date, the Plan has not been adopted by the Company, and no awards have been granted or agreed to be granted by the Company pursuant to the Plan. The Company will make appropriate announcement in accordance with the requirements of the GEM Listing Rules upon adoption of the Plan. Details of the Plan, including particulars of the awards granted during each financial year of the Company will be disclosed in its annual/interim/quarterly report.

E. SHARE OPTION SCHEME**Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of the sole Shareholder of our Company passed on 19 June 2015. Our Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 23 of the GEM Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, our Group and for such other purposes as the Board may approve from time to time.

(b) Who may join

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or advisor of our Group who in the sole discretion of the Board has contributed to and/or will contribute to our Group) (the “Eligible Persons”) to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

(c) Maximum number of Shares

- (i) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.
- (ii) Subject to paragraphs (c)(i), (iv) and (v), at the time of adoption by our Company of the Share Option Scheme or any new share option scheme (the “New Scheme”), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the “Existing Schemes”) of our Company must not in aggregate exceed 10% of the total number of the Shares in issue as at the Listing Date (the “Scheme Mandate Limit”).

- (iii) For the purposes of calculating the Scheme Mandate Limit under paragraph (c)(ii), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.
- (iv) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:
- the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of Shareholders' approval of the refreshment of the Scheme Mandate Limit;
 - options previously granted under any Existing Schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and
 - a circular regarding the proposed refreshment of the Scheme Mandate Limit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules.
- (v) Our Company may seek separate approval from the Shareholders in the general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:
- the grant is to Eligible Persons specifically identified by our Company before the approval is sought; and
 - a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules and other applicable laws and rules,
- in accordance with the terms of the Share Option Scheme.

(d) Maximum number of options to any one individual

No option shall be granted to any Eligible Person (the "Relevant Eligible Person") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time, unless:

- such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 23 of the GEM Listing Rules, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates abstained from voting;

- a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules; and
- the number and terms (including the Subscription Price) of such options are fixed before the general meeting of our Company at which the same are approved.

(e) Price of Shares

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be a price solely determined by the Board and notified to all Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer to grant option (the "Offer Date") (provided that the new issue price shall be used as the closing price for any business day falling within the period before the listing Shares where our Company has been listed for less than five business days as of the Offer Date); and (iii) the nominal value of the Share. A consideration of RMB1 is payable on acceptance of the offer of an option or options.

(f) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the options). If our Company proposes to grant options to a Substantial Shareholder or an independent non-executive Director of our Company or their respective associates which will result in the number and value of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant in aggregate exceeding: (i) 0.1% of the Shares in issue at the relevant time of grant; and (ii) HK\$5 million, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange at the date of each grant, such grant shall not be valid unless: (A) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee) to the independent Shareholders as to voting); and (B) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all Connected Persons abstained from voting in favour at such meeting.

(g) Restrictions on the time of grant of options

No offer to grant option shall be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no options may be

offered to 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 by our Company to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of actual publication of the results announcement. The period which no option may be granted will cover any period of delay in the publication of results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option.

(i) Time of exercise of option

Subject to the provisions of the GEM Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer Letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

The date of grant of any particular option is the date on which the offer relating to such option is duly accepted by the grantee in accordance with the Share Option Scheme. An option may be exercised according to the terms of the Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry by giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option

may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

(j) Performance target

The Board may from time to time require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the Share Option Scheme.

(k) Rights on ceasing to be an Eligible Person

In the event of the grantee ceasing to be an Eligible Person for any reason other than ceasing (1) by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (2) by death or permanent disability the option may be exercised within one month after the date of such cessation, which date shall be (i) if he is an employee or director of our Company or any subsidiary, his last actual working day with our Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of our Company or any subsidiary, the date on which the relationship constituting him an Eligible Person ceases.

(l) Rights on death or permanent disability

In the event that the grantee of an outstanding option dies or becomes permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such grantee or, if appropriate, in the circumstances described in paragraphs (n), (o) and (q), an election made by his personal representatives within twelve months after the date of his death or permanent disability.

(m) Lapse of option on misconduct, bankruptcy or dismissal etc.

If a grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the right to exercise the option (to the extent not already exercised) shall terminate immediately.

(n) Rights on a general offer by way of a take-over

If a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to our Company within 21 days after such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

(o) Rights on a general offer by way of a scheme of arrangement

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify the grantees and any grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

(p) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement become effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(q) Rights on winding-up

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purpose of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than four business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a

remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(r) Lapse of the options

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph (k), (l) or (n);
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);
- (iv) subject to the compromise or arrangement referred to in paragraph (p);
- (v) the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;
- (vi) subject to paragraph (q), the date of the commencement of the voluntary winding-up of our Company;
- (vii) the date on which the grantee commits a breach of paragraph (h);
- (viii) the date on which the option is cancelled by the Board as provided in paragraph (v); or
- (ix) the non-fulfillment of any condition referred to in paragraph (x) on or before the date specified therein.

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph (r).

(s) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's Memorandum and Articles of Association and the laws of the Cayman Island for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our

Company as of the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be on or before the date of allotment and issue.

(t) Effect of alterations to share capital

In the event of any alteration to the capital structure of our Company arising from capitalization of profits or reserves, rights issue, consolidation, redenomination, subdivision or reduction of the share capital of our Company in accordance with the legal requirements or requirements of the Stock Exchange other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party. Adjustment (if any) shall be made to (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or (b) the subscription price for the Shares subject to the option so far as unexercised; and/or (c) the Shares to which the option relates; or any combination thereof as the Auditors or the independent financial advisors to our Company (acting as expert not arbitrator) shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 23.03(13) of the GEM Listing Rules and the notes thereto. Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the GEM Listing Rules and such applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the supplemental guidance attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme) and any future guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial advisors to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the Auditors or the independent financial advisors to our Company shall be borne by our Company. Notice of such adjustment shall be given to the Grantees by our Company.

(u) Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

- (i) the definitions of “Eligible Person” and “grantee” in the Share Option Scheme; and
- (ii) the provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules

which shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the bye-laws

for the time being of our Company for a variation of the rights attached to the Shares. Any change to the authority of the Board in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting. Any alterations to the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Share Option Scheme. Any amended terms of the Scheme or the options must comply with Chapter 23 of the GEM Listing Rules.

(v) Cancellation of options

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit set out in paragraph (c) above from time to time.

(w) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

- (i) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may fall to be allotted and issued pursuant to the exercise of any such options;
- (ii) the passing of the resolutions by the Shareholders to approve and adopt the Share Option Scheme and to authorize the Board to grant Options under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim/quarterly reports in accordance with the GEM Listing Rules in force from time to time.

F. OTHER INFORMATION**1. Tax and Other Indemnity***Indemnity on taxation and other liabilities*

The Controlling Shareholders (the “**Indemnifiers**”) have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of the Company (for itself and as trustee as its subsidiaries and jointly-controlled company) in connection with, among others, any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the Listing Date.

The Indemnifiers will however not be liable under the Deed of Indemnity for taxation where:

- (a) to the extent (if any) to which provision or reserve has been made for such liabilities in the audited consolidated accounts of the Company for the Track Record Period as set out in Appendix I to this prospectus (the “**Accounts**”);
- (b) to the extent such liabilities falling on any of the members of the Group in respect of any accounting period commencing on or after 1 January 2015 and ending on the Listing Date would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date, or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent of any provision or reserve made for such liabilities in the Accounts which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers’ liability (if any) in respect of such liabilities shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers’ liability in respect of such liabilities shall not be available in respect of any such liability arising thereafter; or
- (d) to the extent that such liabilities arise or increase as a result of any retrospective change in the laws and regulations or any increase in rates of taxation with retrospective effect after the Effective Date.

The Indemnifiers have further agreed and undertaken jointly and severally to indemnify the Company against the outstanding social insurance and housing provident funds and/or any late payment, charges and/or penalties imposed by the relevant authorities subsequent to the Listing as described in the paragraph headed “Business — Legal Proceedings and Compliance” in this prospectus.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

2. Litigation

Save as disclosed in the section headed “Business — Legal Proceedings and Compliance” in this prospectus, as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Division for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options which may be granted under the Share Option Scheme).

The Sole Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules. The total amount of fees payable to the Sole Sponsor by our Company for sponsoring the listing of the Shares on the Stock Exchange is HK\$3,600,000.

4. Preliminary Expenses

Our preliminary expenses are estimated to be approximately HK\$89,622 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Placing or the related transactions described in this prospectus.

6. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
China Everbright Capital Limited	Licensed for Type 1 regulated activity (dealing in securities), Type 4 (advising on securities) and Type 6 regulated activity (advising on corporate finance) under the SFO
Ernst & Young	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
King & Wood Mallesons	PRC legal advisers to the Company

7. Consents of Experts

Each of the experts named in paragraph 6 above 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 summary of valuations and/or opinion and/or data (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 in paragraph 6 above has any shareholding interests in the Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all 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.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sponsor will receive a documentation fee, as referred to under the section headed “Underwriting — Underwriting arrangements and expenses — Commissions and expenses” in this prospectus.

10. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iv) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.
- (b) Since 31 December 2014, being the date of our latest audited consolidated financial results as set out in “Appendix I — Accountants’ Report” to this document, there has been no material adverse change in the financial or trading position or prospects of the Group.
- (c) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (d) The branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, 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 our Hong Kong Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (e) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

- (g) Our Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by the Company does not contravene the Cayman Companies Law.

11. 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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out below:

Name: Loyal Alliance Management Limited (忠聯管理有限公司), our Controlling Shareholder

Nature of Business: Investment holding

Place of Incorporation: BVI

Date of Incorporation: 18 August 2014

Registered Office: 3rd Floor, J&C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG1110

Number of Sale Shares: 50,000,000 Shares

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (a) the written consents referred to in the paragraph headed “F. Other Information — 7. Consents of Experts” in Appendix IV to this prospectus, (b) a statement of particulars of the Selling Shareholder as set out in the paragraph headed “F. Other Information — 12. Particulars of the Selling Shareholder” in Appendix IV to this prospectus and (c) copies of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Jun He Law Offices at Suite 3701-10, 37/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of the Company;
- (b) the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of each of the companies comprising the Group for the financial years ended 31 December 2013 and 2014 or from their respective dates of incorporation where this is a shorter period;
- (d) the report on unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (e) the rules of the Share Option Scheme;
- (f) the service agreements and letters of appointment referred to in the paragraph headed “C. Further Information About Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts and Remuneration” in Appendix IV to this prospectus;
- (g) the material contracts referred to in the paragraph headed “B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the paragraph headed “F. Other Information — 7. Consents of Experts” in Appendix IV to this prospectus;
- (i) the Cayman Companies Law;

- (j) the letter of advice issued by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (k) the PRC legal opinions issued by King & Wood Mallesons, our PRC legal advisers, in relation to the PRC law in respect of certain aspects of the Group and the property interests;
and
- (l) the statement of particulars of the Selling Shareholder.

